Company Registration No. 8401654

Metroline West Limited

Annual Report and Financial Statements

for the year ended 31 December 2017

Metroline West Limited

Annual Report and Financial Statements for the year ended 31 December 2017

Contents

Metroline West Limited

Corporate Information
for the year ended 31 December 2017

Directors

Jaspal Singh
Sean O'Shea

Company Secretary

Ishai Novick

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Bankers

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Solicitors

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Metroline West Limited

Strategic report

The Directors present their Strategic report on the Company for the year ended 31 December 2017. The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Activities

The Company's principal activity during the year continued to be the provision of road passenger transport services, principally London through operating tendered Transport for London ("TfL") routes.

Financial results and future prospects

As shown in the Company's statement of comprehensive income on page 6, the Company's revenue has decreased in the year by £6.9m (6.1%) and profit after tax decreased by £1.1m (16%) as a result of the impact on London Bus Revenue from contract pricing and increasing tendering pressures.

The Company's statement of financial position on page 7 and page 8 shows the Company's net asset position at £88.2m at the end of the year.

The average staff numbers decreased by 1.1% over the year, averaging 1,480 in 2017 (2016: 1,577) although ending the year lower at 1,358.

The results of the Company for the year ended 31 December 2017 show a pre-tax profit of £7,023,000 (2016: £8,650,000) and revenue of £105,669,000 (2016: £112,543,000). The Company has net assets of £88,166,000 (2016: £82,440,000).

Future outlook

The Company intends to continue the provision of passenger transport services. Expansion may be achieved through tendering for Transport for London ("TfL") contracts, as they become available, launching new commercial services and journeys in the unregulated market.

Principal risks and uncertainties

Competitive pressure in the regulated London market is a continuing risk for the Company, which could result in it losing routes to its key competitors. The Company manages this risk by constantly striving to improve the quality of its services, extending route contracts for a further two years, where permissible by TfL and acceptable financial returns can be achieved, and by having a spread of route contracts with varying expiry dates.

Financial risk management

The Company's principal financial assets are bank balances and trade receivables. The Company's credit risk is primarily attributable to its trade receivables. The Company has a small number of trade receivables and as such has a high concentration of credit risk with these customers. However, the Directors feel that the credit risk of the trade receivables is low because the main receivables are United Kingdom government bodies. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Details of complex financial instruments can be found in note 18 of the financial statements.

Metroline West Limited

Strategic report (continued)

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policy note 2.

Approval

This report was approved by the Board of Directors on 12th June 2018 and signed on its behalf by:

Jaspal Singh
Director
12th June 2018

Metroline West Limited

Directors' report

The Directors present their annual report and the unaudited financial statements for the year ended 31 December 2017.

Environment

Metroline West Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Company's activities.

Directors

Details of the current directors are given on page 1.

Qualifying third party indemnity insurance was provided to the Directors and Officers of Metroline West Limited for the entire period covered by these financial statements by the Company's ultimate parent company (see Note 20). This cover has continued to the date of approval of these financial statements.

Disabled employees

The Company's policy in respect of disabled persons is that their applications for employment are always fully and fairly considered, bearing in mind the abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that employment with the Company continues and where necessary appropriate training is arranged. It is the Company's policy that training, career development and promotion of disabled persons should, as far as possible, be identical to that of all other employees in similar gradings.

Employee consultation

The Directors and Managers of the Company place considerable value on the consultative meetings with employees. Information on matters affecting employees and on various factors affecting the performance of the Company is disseminated through meetings, newsletters and training programmes. Employees' representatives are consulted regularly on a wide range of matters affecting employees' current and future interests.

Financial risk management objectives and policies and future prospects

Details of the Company's financial risk management objectives and policies and future prospects can be found within the principal risks and uncertainties section of the Strategic Report and form part of this report by cross-reference.

Auditors

For the year ended 31 December 2017 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Approved by the Board of Directors
and signed on behalf of the Board

Jaspal Singh
Director
12th June 2018

Metroline West Limited

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Metroline West Limited

Statement of comprehensive income
Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Revenue	3	105,669	112,543
Cost of sales		(93,682)	(98,640)
Gross profit		11,9987	13,903
Administrative expenses		(4,972)	(5,282)
Operating profit	5	7,015	8,621
Finance income	6	9	32
Finance costs	7	(1)	(3)
Profit before taxation		7,023	8,650
Income tax expense	8	(1,297)	(1,834)
Profit for the year		**5,726**	**6,816**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment on cash flow hedges	18	-	275
Deferred tax credit/(charge) on fair value adjustment on cash flow hedges	8b,15	-	(55)
Other comprehensive income for the year		**-**	**220**
Total comprehensive income for the year		**5,726**	**7,036**

Metroline West Limited

Statement of financial position
As at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Goodwill	9	43,921	43,921
Property, plant and equipment	10	35,770	32,144
Total non-current assets		79,691	76,065
Current assets			
Inventories	11	616	702
Trade and other receivables	12	16,886	17,028
Cash and cash equivalents		4,542	4,170
Total current assets		22,044	21,900
Total assets		**101,735**	**97,965**
Liabilities and equity			
Current liabilities			
Trade and other payables	13	9,266	8,591
Deferred revenue		1,402	3,856
Income tax payable		548	794
Provision for accident claims	14	1,467	1,675
Total current liabilities		12,683	14,916
Non-current liabilities			
Deferred tax liabilities	15	886	609
Total non-current liabilities		886	609
Total liabilities		13,569	15,525
Equity			
Issued share capital	16	57,500	57,500
Retained earnings		30,666	24,940
Total equity		88,166	82,440
Total liabilities and equity		**101,735**	**97,965**

For the year ending 31 December 2017 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

- The directors have not required the company to obtain an audit of its account for the period in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Metroline West Limited

Statement of financial position
As at 31 December 2017

The financial statements of Metroline West Limited, registered number 8401654, were approved by the Board of Directors on 12th June 2018.

Signed on behalf of the Board of Directors

Jaspal Singh
Director

Metroline West Limited

Statement of changes in equity
Year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Cash flow hedging reserves £'000	Total equity £'000
Balance at 1 January 2016	**57,500**	**18,124**	**(220)**	**75,404**
Profit for the year	-	6,816	-	6,816
Other comprehensive income for the year	-	-	220	220
Total comprehensive income for the year	-	6,816	220	7,036
Balance at 31 December 2016	**57,500**	**24,940**	-	**82,440**
Profit for the year	-	5,726	-	5,726
Total comprehensive income for the year	-	5,726	-	5,726
Balance at 31 December 2017	**57,500**	**30,666**	-	**88,166**

Notes to the financial statements
Year ended 31 December 2017

1. General information

Metroline West Limited ('the Company') is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 3.

Metroline West Limited is subsidiary of Metroline Limited, whose ultimate parent company is ComfortDelGro Corporation Limited in Singapore. Information on its ultimate parent is presented in note 20.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements under s400 of the Companies Act 2006, because it is included in the group accounts of Metroline Limited. The group accounts of Metroline Limited are available to the public and can be obtained as set out in note 20.

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Summary of significant accounting policies

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 2. The financial position of the Company, its liquidity position and borrowing facilities are also described in further detail in the notes to the financial statements. The Directors are satisfied with the results and believe that the Company is well placed to manage its business risks successfully.

In particular, although the Company is exposed to wider macroeconomic events, the directors have given due consideration to the fact that the Company benefits from strong, predictable cash flows from the long-term contracts with government bodies which provide a substantial majority of its revenues. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to continue to operate within the level of the facilities available to it.

The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements
Year ended 31 December 2017

2. Summary of significant accounting policies (continued)

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2015.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Metroline Limited. The group accounts of Metroline Limited are available to the public and can be obtained as set out in note 20.

The financial statements have been prepared under the historical cost convention, except for hedging instruments that have been measured at fair value, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Property, plant and equipment

Property, plant and equipment are stated at historical cost or valuation less accumulated depreciation and provision for impairment.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life, as follows:

Freehold buildings	50 years
Buses	12 to 14 years
Plant and machinery	1 to 10 years
Leasehold land and leasehold improvements	Over the life of the lease

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and cash in deposit accounts which require less than three months' notice for the Company to access.

Notes to the financial statements
Year ended 31 December 2017

2. Summary of significant accounting policies (continued)

Inventories

Inventories consist primarily of materials required for the operation and maintenance of buses. These materials are valued on a first in first out basis at the lower of cost and net realisable value to the Company.

Ordinary shares

Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade payables

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Taxation

Income tax expense in profit or loss comprises the sum of current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the statement of financial position and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the statement of financial position.

Notes to the financial statements
Year ended 31 December 2017

2. Summary of significant accounting policies (continued)

Leases (continued)

The interest elements of the rental obligations are charged in profit and loss over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

The cost of operating leases is charged directly to profit and loss over the period of the leases on a straight line basis, even if the payments are not made on such a basis.

Retirement benefit obligations

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company and are managed by a third party. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Insurance and provision for accident claims

Insurance costs include insurance premiums which are recognised in profit and loss over the period to which they relate. Included in provisions is an estimate of the liability for uninsured retained risks on unpaid claims arising out of events occurring up to the statement of financial position date.

Revenue

Revenue represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the statement of financial position date, revenue represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Revenue includes Quality Incentive Contracts (QICs) revenue which is recognised over the period of the contract.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date. All exchange differences are included in profit and loss.

Hedging instruments and hedge accounting

The Company uses hedging instruments to manage its exposure to fuel price fluctuation, foreign currency movements and interest rate risks. The use of hedging instruments is governed by the ultimate parent company's policies which provide written principles on the use of financial instruments consistent with its risk management strategy (refer to note 18).

Hedging instruments are initially recognised at fair value on the contract date, and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the hedging instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates its hedging instruments as cash flow hedges.

Hedging instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of hedging instrument is classified as a non-current asset or non-current liability if the maturity of the hedge relationship exceeds 12 months and as a current asset or current liability if the maturity of the hedge relationship is within 12 months.

2. Summary of significant accounting policies (continued)

Hedging instruments and hedge accounting (continued)

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Company designates any interest rate swap for hedging of interest rate risk arising from borrowings as cash flow hedges. Hedges of fuel price risk for future purchases of goods are also designated as cash flow hedges.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Note 18 contains details of the fair value of the hedging instruments.

Cash flow hedge

The effective portion of changes in the fair value of the hedging instruments that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts recognised in other comprehensive income are taken to profit or loss when the hedged item is realised. The cash flow hedging reserves reported in the statement of changes in equity represent the fair value of the hedging instruments net of deferred tax.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Quality Incentive Contract revenue recognition

A portion of the Company's revenue for London bus services is variable based on the performance of the Company's bus services against certain criteria, such as punctuality, reliability and other factors determined by Transport for London. The Company is required to estimate the amount of this variable Quality Incentive Contract revenue based on the performance of its London bus services against these criteria.

Notes to the financial statements
Year ended 31 December 2017

2. Summary of significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period to ensure that they appropriately reflect the consumption of the economic benefit of that property, plant and equipment. At 31 December 2016, as a result of an assessment of the market for hybrid buses, the Company reassessed the useful life of its hybrid buses at 14 years (previously 12 years) from the date of acquisition. This had no material effect for the year ended 31 December 2016 but will have the effect of decreasing the depreciation expense by £91,000 for each of the next 13 years.

Measurement of provision for accident claims

The estimation of the self-insurance provision is based on an assessment of the expected settlement on known claims together with an estimate of settlements for incidents which have occurred but not been reported before the balance sheet date. The Company makes assumptions concerning these judgemental matters based on its Claims team's past experience of similar incidents as well as the advice of its lawyers and insurers.

3. Revenue

Revenue is attributable to the Company's principal activity and arises entirely in the United Kingdom.

	2017 £'000	2016 £'000
Bus revenue	105,669	112,543
Finance income (note 6)	9	32
Total revenue	105,678	112,575

4. Information regarding directors and employees

	2017 £'000	2016 £'000
Directors' remuneration		
Emoluments	212	165
Company contributions to money purchase pension schemes	17	14
	229	179
Highest paid director		
Emoluments	139	87
Company contributions to money purchase pension schemes	9	6

	2017 No.	2016 No.
Average number of persons employed (including directors)		
Operating staff	1,286	1,355
Engineering	53	57
Administration	141	165
	1,480	1,577

	2017 £'000	2016 £'000
Staff costs during the year (including directors)		
Wages and salaries	57,040	59,533
Social security costs	5,827	6,367
Pension costs	1,039	1,073
	63,906	66,973

No directors (2016: nil) had retirement benefits accruing under a defined benefit pension scheme.

The directors' emoluments are allocated based on the proportion of time spent within the ComfortDelGro group of companies.

Notes to the financial statements
Year ended 31 December 2017

5. Operating profit

Operating profit is stated after charging/(crediting):	**2017 £'000**	**2016 £'000**
Depreciation - owned assets	3,141	2,737
Rentals under operating leases:		
Land and buildings	1,611	1,490
Buses	4,880	6,200
Plant and machinery	25	34
Profit on disposal of property, plant and equipment	(22)	(49)

Auditor's remuneration

	2017 £'000	**2016 £'000**
Tax compliance fees	8	8

6. Finance income

	2017 £'000	**2016 £'000**
Bank interest	9	32

7. Finance costs

	2017 £'000	**2016 £'000**
Interest on corporation tax liability	1	3

Notes to the financial statements
Year ended 31 December 2017

8. *Income tax expense*

a) Tax expense:

	2017 £'000	2016 £'000
Current tax expense		
Current tax on profits for the year	1,127	1,502
Adjustments in respect of prior years	(107)	57
Total current tax charge	1,020	1,559
Deferred tax		
Origination and reversal of temporary differences (note 15)	277	275
Income tax expense reported in the income statement	1,297	1,834

The actual tax charge for the current year and previous year can be reconciled to the accounting profit as follows:

	2017 £'000	2016 £'000
Profit before taxation for the year	7,023	8,650
Income tax expense calculated at standard rate of 19.25% (2016: 20%	1,352	1,730
Factors affecting charge for the year:		
Disallowable expenses	276	268
Capital allowance for the year in excess of depreciation	(224)	(221)
Adjustments in respect of prior years	(107)	57
Total tax charge for the year	1,297	1,834
Effective rate	18.5%	21.2%

Notes to the financial statements
Year ended 31 December 2017

8. Income tax expense (continued)

b) Income tax recognised in other comprehensive income

	2017 £'000	2016 £'000
Deferred tax		
Deferred tax related to items credited to other comprehensive income during the year:		
Fair value adjustment on cash flow hedges (note 15)	-	55
Income tax charged/(credited) directly to other comprehensive income	-	55

c) Changes in tax rates and factors affecting the future tax charge

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these consolidated financial statements. Temporary differences are expected to be reversed after 1 April 2020 and, as such, deferred tax balances as at 31 December 2017 have been recognised at 17% (2016: 17%).

9. Goodwill

The movements in the net carrying amount of goodwill are as follows:

	£'000
Cost and net book value	
At 31 December 2017	43,921
At 31 December 2016	43,921

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units that are expected to benefit from that business combination. The cost of goodwill in these financial statements has been measured at its amortised book value under previous UK GAAP at the date of transition to IFRS. The carrying amount of £43,921,000 (2016: £43,921,000) is allocated to the bus business in the UK.

The Company is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amounts of the CGUs are determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenues and direct costs during the year.

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The estimated discount rate used was 5.7% (2016: 5.7%). Changes in revenues and direct costs are based on past practices and expectations of future changes in the market.

The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows into perpetuity based on an estimated growth that does not exceed the average long-term growth rate for the relevant markets. The long term growth rate used was 1.5% (2016: 1.1%).

Notes to the financial statements
Year ended 31 December 2017

10. Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings improve-ments £'000	Buses £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2017	4,798	7,613	24,131	1,941	38,483
Additions	44	277	6,345	105	6,771
Disposals	-	-	(91)	-	(91)
Reclassification	(14)	(35)	-	49	-
At 31 December 2017	**4,828**	**7,855**	**30,385**	**2,095**	**45,163**
Accumulated depreciation					
At 1 January 2017	265	1,143	4,077	854	6,339
Charge for the year	82	329	2,415	315	3,141
Disposals	-	-	(87)	-	(87)
Reclassification	(4)	(6)	-	10	-
At 31 December 2017	**343**	**1,466**	**6,405**	**1,179**	**9,393**
Net book value					
At 31 December 2017	4,485	6,389	23,980	916	35,770
At 31 December 2016	4,533	6,470	20,054	1,087	32,144

11. Inventories

	2017 £'000	2016 £'000
Bus maintenance stocks	295	320
Fuel stocks	321	382
	616	702

Notes to the financial statements
Year ended 31 December 2017

12. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	68	154
Amounts owed by group undertakings	12,475	9,342
VAT receivable	10	521
Prepayments	-	227
Accrued income	4,333	6,784
	16,886	17,028

Amounts owed by group undertakings are repayable on demand and bear no interest.

13. Trade and other payables

	2017 £'000	2016 £'000
Trade payables	825	1,173
Amounts owed to group undertakings	406	55
Other taxes and social security	1,286	1,573
Accruals	6,749	5,790
	9,266	8,591

Amounts owed to group undertakings are repayable on demand and bear no interest.

Notes to the financial statements
Year ended 31 December 2017

14. Provision for accident claims

	2017 £'000	2016 £'000
At 1 January	1,675	1,452
Utilisation of provision	(1,014)	(689)
Charged to profit and loss	806	912
At 31 December	1,467	1,675

The insurance provision relates to liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. The Company self-insures its fleet of buses against claims in respect of traffic accidents, subject to an overall annual limit to its liability.

The Directors have recognised as a liability in the accounts the undiscounted financial impact of the expected resolution of any outstanding claims on the basis of all information currently available, on a consistent basis.

However, it is inherent in the nature of insurance claims that the ultimate liabilities may vary as a result of subsequent developments, so that the provision made may be excessive or insufficient. There is an undiscounted unprovided loss of £1,580,000 (2016: £1,638,000), which is the unprovided amount that the Company may possibly be called upon to pay to meet claims in excess of these already provided up to the maximum aggregate amount payable.

The vast majority of claims are likely to be settled within five years although in a small number of cases it may take significantly longer for the final amount of liability to be established.

15. Deferred tax liabilities

	Hedging fair value losses £'000	Accelerated tax depreciation £'000	Total £'000
At 1 January 2016	(55)	334	279
Charged to profit and loss	-	275	275
Credited to other comprehensive income	55	-	55
At 31 December 2016	**-**	**609**	**609**
Charged to profit and loss	-	277	277
Charged to other comprehensive income	-	-	-
At 31 December 2017	**-**	**886**	**886**

Notes to the financial statements
Year ended 31 December 2017

15. Deferred tax liabilities (continued)

Details of the deferred tax liabilities, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows.

	Statement of financial position		Statement of comprehensive income	
	31 December 2017 £'000	31 December 2016 £'000	2017 £'000	2016 £'000
Deferred tax liabilities				
Accelerated depreciation for tax purposes	(886)	(609)	277	275
Fair value adjustment on cash flow hedges	-	-	-	55
Deferred tax expense			**277**	**330**
Deferred tax liabilities net	**(886)**	**(609)**		

Reconciliation of deferred tax liabilities net:

	2017 £'000	2016 £'000
Opening balance as of 1 January	**(609)**	**(279)**
Tax expense during the year recognised in profit or loss	(277)	(275)
Tax income/(expense) during the year recognised in other comprehensive income	-	(55)
Closing balance as at 31 December	**(886)**	**(609)**

16. Called up share capital

	2017		2016	
	No. '000	£'000	No. '000	£'000
Authorised				
Ordinary shares of £1 each	57,500	57,500	57,500	57,500
Called up, allotted and fully paid				
Ordinary shares of £1 each	57,500	57,500	57,500	57,500

17. Financial commitments

	2017 £'000	2016 £'000
Capital commitments:		
Contracted for but not provided for property, plant and equipment	674	844

Operating lease agreements where the Company is lessee:

At the reporting date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within one year	510	587	1,024	4,340
Within two to five years	1,728	1,810	1,269	1,101
In five years or more	964	1,392	-	-
	3,202	3,789	2,293	5,441

18. Financial instruments

Note 2 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and liabilities in each category are as follows:

	Loans and receivables (carried at amortised cost) £'000
At 31 December 2016	
Financial assets	
Trade and other receivables	3,977
Cash and cash equivalents	4,170
	8,147

	Other liabilities (carried at amortised cost) £'000
Financial liabilities	
Trade and other payables	5,050

18. Financial instruments (continued)

Market risk (continued)

Hedging instruments held:

The Company's hedging instruments are measured at fair value and are all classified as Level 2 in the IFRS 13 fair value hierarchy, i.e. they are derived from inputs other than unadjusted quoted prices in active markets for identical assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of fuel hedges at the reporting date is determined by a discounted cash flow valuation estimating cash flows based on forward fuel prices (from observable fuel prices at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Fuel price risk

Fuel is part of the operating cost of the Company. The Company seeks to hedge the price risk associated with its fuel needs and uses hedging instruments, where necessary, to achieve the desired hedge outcome.

Foreign currency risk

The Company manages its foreign exchange exposure by matching revenue and costs in the relevant currencies to create a natural hedge. However the Company undertakes fuel purchase transactions linked to commodity prices denominated in US dollars, consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Company has total sterling denominated cash assets of £4,542,000 (2016: £4,170,000) of which £4,601,000 (2016: £4,219,000) is held on deposit in the UK at interest rates determined by those available on the day of deposit.

Financial assets and financial liabilities were denominated in Pounds Sterling.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Maturity of financial liabilities

The Company's non-borrowing related financial liabilities are all due within one year.

19. Retirement benefit obligations

The Company operates a defined contribution pension scheme. The charge for the scheme in 2017 is £1,039,000 (2016: £1,073,000). The contributions outstanding at the year end amounted to £nil (2016: £nil).

20. Ultimate parent company and immediate parent company

The Company's immediate parent company is Metroline Limited, a company incorporated in United Kingdom, which also heads the smallest group of which the Company is a member, and for which consolidated accounts are prepared. Copies of its financial statements can be obtained from ComfortDelGro House, 329 Edgware Road, Cricklewood, London NW2 6JP.

The ultimate parent company of the largest group of which the Company is a member and for which group accounts are prepared at the reporting date is ComfortDelGro Corporation Limited, a company incorporated in Singapore. Copies of its financial statements can be obtained from 205 Braddell Road, Singapore 579701.

18. Financial instruments (continued)

A description of the Company's financial instrument risks, including risk management objectives and policies is given below.

Financial risk management policies and objectives

The Company recognises that management of financial risk is an important aspect in its drive towards creating shareholder value. Management oversees financial risk management and regularly reviews its policy governing risk management practices. The Company's management monitors and manages the financial risks relating to the operations of the Company and seeks to minimise the effects of these risks by using hedging instruments to hedge these risk exposures. It is the Company's policy not to participate in speculative financial instruments.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures these risks.

Capital risk management policies and objectives

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior years.

The capital structure of the Company consists of cash and bank balances and equity of the Company (comprising issued capital, reserves and retained earnings). The Company is not subject to any externally imposed capital requirements.

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below). The Company enters into a variety of hedging instruments to manage its exposure to foreign currency risk, including:

- Forward contracts to hedge the price risk arising on highly probable future purchases of fuel;
- forward foreign exchange contracts to hedge the exchange rate risk arising on highly probable future purchases of fuel; and
- interest rate swaps to mitigate the risk of rising interest rates.

Notes to the financial statements
Year ended 31 December 2017

18. Financial instruments (continued)

Market risk (continued)

Hedging instruments held:

The Company's hedging instruments are measured at fair value and are all classified as Level 2 in the IFRS 13 fair value hierarchy, i.e. they are derived from inputs other than unadjusted quoted prices in active markets for identical assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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Fuel is part of the operating cost of the Company. The Company seeks to hedge the price risk associated with its fuel needs and uses hedging instruments, where necessary, to achieve the desired hedge outcome.

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The Company manages its foreign exchange exposure by matching revenue and costs in the relevant currencies to create a natural hedge. However the Company undertakes fuel purchase transactions linked to commodity prices denominated in US dollars; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Company has total sterling denominated cash assets of £4,542,000 (2016: £4,170,000) of which £4,601,000 (2016: £4,219,000) is held on deposit in the UK at interest rates determined by those available on the day of deposit.

Financial assets and financial liabilities were denominated in Pounds Sterling.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Maturity of financial liabilities

The Company's non-borrowing related financial liabilities are all due within one year.

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Notes to the financial statements
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21. Related party transactions

No trading transactions took place between the Company and related parties during the year.

There were no amounts outstanding at the reporting date.

Details of the remuneration of the Directors, who are the Company's key management personnel, are given in note 4.