Company Registration No. 08401654

Metroline West Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Metroline West Limited

Annual Report and Financial Statements for the year ended 31 December 2019

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Metroline West Limited

Corporate Information
for the year ended 31 December 2019

Directors

Sean O'Shea
Ian Foster

Company Secretary

Ishai Novick

Registered office

ComfortDelGro House
329 Edgware Road
Cricklewood
London
NW2 6JP

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Solicitors

Teacher Stern LLP
37-41 Bedford Row
London WC1R 4JH

Metroline West Limited

Strategic report

The Directors present their Strategic report on the Company for the year ended 31 December 2019. 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.

Section 172(1) Statement

The Directors of the Company recognise their duty to promote the success of the Company for the benefit of its members as a whole whilst having due regard to the matters set out in section s172(1) of the Companies Act 2006:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the company

In providing class leading passenger transport services the Company works closely with a range of stakeholders without which the operating businesses would not succeed including TfL, with whom we work in partnership in delivering passenger transport services within London. Meetings with a range of stakeholders are held regularly at all levels of the company's organisation with decisions taken with reference to their impact on relationships and sustainability.

The passenger transport services the Company provides are key requirements of the local communities that they serve, without which residents would not be able to travel to their places of work or leisure as efficiently and cost effectively. Concessionary pass holders rely on the services we operate to provide a means of reliable transport that helps to support mobility and quality of life.

The Company is also proud of its ongoing investment in its fleet of vehicles improving emission standards as well as enlarging its fleet of Zero Emission buses that are contributing to the Cleaner Air agenda and long term Climate Change mitigation in the communities the operating companies serve. Where appropriate specific reporting on sustainability initiatives have been introduced and developed.

The way the Company deals with employee engagement is dealt with in the Directors report under Employee consultation.

Financial results and future prospects

As shown in the Company's statement of comprehensive income on page 8, the Company's revenue has decreased in the year by £8.8m (9.4%) and profit after tax decreased by £3.4m (65.4%) 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 9 and page 10 shows the Company's net asset position at £95.3m at the end of the year.

The average staff numbers decreased by 11.1% over the year, averaging 1,169 in 2019 (2018: 1,315) although ending the year lower at 1,132.

The results of the Company for the year ended 31 December 2019 show a pre-tax profit of £2,319,000 (2018: £6,584,000) and revenue of £84,713,000 (2018: £93,513,000). The Company has net assets of £95,250,000 (2018: £93,325,000).

Metroline West Limited

Strategic report (continued)

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.

The number and size of insurance claims falling within the Company's self-insured excess and policy terms with these risks are managed through passenger and employee safety programs. The group 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 information currently available. 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.

The impact of COVID-19 during the early part of the 2020 is a continuing risk for the Company impacting customers, employees and the economy within which the Company. This is being managed through increased vigilance, enhanced operating procedures and the close working relationships between the Company, its main customer TfL that we operate in partnership with.

The UK withdrew from the European Union on 31 January 2020 and entered a transition period where the rules on trade, travel and business continue to apply until the end of 2020. The terms of the future relationship with the EU are being negotiated and still to be finalised providing a degree of risk and uncertainty to the Company's Supply Chain and Human Resources that is mitigated through planning and risk management.

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 19 of the financial statements.

Metroline West Limited

Strategic report (continued)

Key Performance Indicators

The overall performance of the business is measured in financial terms in conjunction with non-financial metrics that are used in assessing operational performance.

Financial	***2019***	***2018***
Turnover (£ms)	84.7	93.5
Operating Profit (£ms)	2.4	6.6
Operating Profit Margin (%)	2.8%	7.0%

Non-Financial	**2019**	**2018**	**Definition**
Operated Mileage	99.64%	99.60%	Level of mileage under contract delivered
Net Route Awards	-1	-2	New Routes awarded net of routes lost through tendering

The operated mileage performance was in line with the result for prior year.

One new route commenced their 5-year term in the year, whilst two existing contracts were lost demonstrating the competitive nature of the London tendering market.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

For the year ended 31 December 2019, the Company had net current assets of £15.4m (2018: £16.2m), and generated net operating profit of £2.4m during the year ended 31 December 2019 (2018: £6.6m). The outbreak of COVID-19 and the subsequent lockdown measures imposed by the UK and other governments as well as the travel and trade restrictions imposed by the UK and other countries in early 2020 have caused disruption to businesses and global economic activity. The situation remains fluid as at the date the financial statements are authorised for issue, due to evolving changes in government policy and business and consumer reactions thereto. To the extent possible given this uncertainty, the directors have considered the impact of COVID-19 on the basis of preparation of the financial statements as a going concern. Directors manage Metroline West as a member of a number of Group Companies. Metroline Limited has provided a guarantee of Metroline West's liabilities as at 31st December 2019 whilst receiving a letter of support from its parent company (Braddell Limited). The Company is not subject to any financial covenants on any existing debt facilities.

After consideration of the factors noted above, the directors consider that the Company is a going concern including realising its assets and discharging its liabilities in the normal course of business. Please refer to the Note below for further details of the impact of COVID-19 subsequent to year end.

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

Metroline West Limited

Strategic report (continued)

Post Balance Sheet Events

The Company considers that the impact of COVID-19 is a non-adjusting post balance date event and accordingly the financial effects of COVID-19 have not been reflected in the Company's financial statements at 31 December 2019.

The vast majority of the Company's revenue pertains to the operation of tendered Transport for London ("TfL") route contracts, where revenue risk sits with TfL and not directly with the Operator. The Company has worked very closely with TfL in providing an appropriate level of service during the COVID-19 outbreak and accordingly, there is only a limited impact to the Company's revenues relating to these contracts to date.

Management has prepared cashflow forecasts reflecting the expected impact of the above based on information available at the date of signing of the financial report. The directors consider that prolonged general economic impacts arising from COVID-19 may have a negative impact on the operations of the Company's activities. This in turn may impact the recoverability of the Company's carrying value of assets going forward. In the unlikely event of a total shutdown of public transport services in London, an adverse impact on the Company's revenue and assets is expected. The Directors expect the economic impact arising from the COVID-19 outbreak to affect the consolidated results of the Company in FY20.

The UK withdrew from the European Union on 31 January 2020 and entered a transition period where the rules on trade, travel and business continue to apply until the end of 2020. The Directors do not expect the economic and social impact of Brexit to have a material impact on the results of the Company in FY20.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Approval

This report was approved by the Board of Directors on 24th August 2020 and signed on its behalf by:

Sean O'Shea

Director

24th August 2020

Directors' report

The Directors present their annual report and the unaudited financial statements for the year ended 31 December 2019.

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.

Dividends

Dividends paid in the year were £nil (2018: £nil).

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 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Under the terms of the exemption Metroline Limited, the Company's immediate Parent Company has provided a guarantee to all outstanding liabilities to which Metroline West is subject as at 31st December 2019.

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

Sean O'Shea

Director

24 August 2020

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; 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 2019

	Note	2019 £'000	2018 £'000
Revenue	3	84,713	93,513
Cost of sales		(78,033)	(82,043)
Gross profit		6,680	11,470
Administrative expenses		(4,320)	(4,910)
Operating profit	5	2,360	6,560
Finance income	6	26	24
Finance costs	7	(67)	-
Profit before taxation		2,319	6,584
Income tax expense	8	(503)	(1,341)
Profit for the year		**1,816**	**5,243**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment on cash flow hedges	19	131	(101)
Deferred tax credit on fair value adjustment on cash flow hedges	8b,16	(22)	17
Other comprehensive (loss)/income for the year		**109**	**(84)**
Total comprehensive income for the year		**1,925**	**5,159**

Metroline West Limited

Statement of financial position
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Goodwill	9	43,921	43,921
Property, plant and equipment	10	35,894	34,104
Right-of-use assets	10a	3,131	-
Total non-current assets		82,946	78,025
Current assets			
Inventories	11	656	534
Trade and other receivables	12	24,249	23,179
Cash and cash equivalents		2,325	4,542
Total current assets		27,230	27,901
Total assets		**110,176**	**105,926**

Metroline West Limited

Statement of financial position (continued)
As at 31 December 2019

Liabilities and equity			
Current liabilities			
Trade and other payables	13	9,709	10,011
Lease liabilities	10a,14	1,097	-
Income tax payable		115	652
Provision for accident claims	15	833	996
Total current liabilities		11,754	11,659
Non-current liabilities			
Lease liabilities	10a,14	2,060	-
Deferred tax liabilities	16	1,112	942
Total non-current liabilities		3,172	942
Total liabilities		14,926	12,601
Equity			
Issued share capital	17	57,500	57,500
Retained earnings		37725	35,909
Cash flow hedging reserve		25	(84)
Total equity		95,250	93,325
Total liabilities and equity		**110,176**	**105,926**

For the year ending 31 December 2019 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.

The financial statements of Metroline West Limited, registered number 08401654, were approved by the Board of Directors on 24 August 2020.

Signed on behalf of the Board of Directors

Sean O'Shea

Director

Metroline West Limited

Statement of changes in equity
Year ended 31 December 2019

	Notes	Share capital £'000	Retained earnings £'000	Cash flow hedging reserves £'000	Total equity £'000
Balance at 1 January 2018		**57,500**	**30,666**	**-**	**88,166**
Profit for the year		-	5,243	-	5,243
Other comprehensive income/(loss)					
Fair value adjustment on cash flow hedges	19	-	-	(101)	(101)
Deferred tax credit on fair value adjustment on cash flow hedges	8b, 16	-	-	17	17
Total other comprehensive loss		**-**	**-**	**(84)**	**(84)**
Total comprehensive income/(loss) for the year		**-**	**5,243**	**(84)**	**5,159**
Balance at 31 December 2018		**57,500**	**35,909**	**(84)**	**93,325**
Profit for the year		-	1,816	-	1,816
Other comprehensive income/(loss)					
Fair value adjustment on cash flow hedges	19	-	-	131	101
Deferred tax credit on fair value adjustment on cash flow hedges	8b, 16	-	-	(22)	(17)
Total other comprehensive income		**-**	**-**	**109**	**109**
Total comprehensive income for the year		**-**	**1,816**	**109**	**1,925**
Balance at 31 December 2019		**57,500**	**37,725**	**25**	**95,250**

Notes to the financial statements
Year ended 31 December 2019

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 21.

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 Company accounts of Metroline Limited. The Company accounts of Metroline Limited are available to the public and can be obtained as set out in note 21.

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 Companies (Accounts and Reports) Regulations 2015.

2. Summary of significant accounting policies

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 Companies (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 Company accounts of Metroline Limited. The Company 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, unless otherwise stated.

Notes to the financial statements
Year ended 31 December 2019

2. Summary of significant accounting policies (continued)

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.

As noted in the Strategic Report the Company considers that the prolonged general economic effects of the outbreak of COVID-19 is likely to have a negative impact on the operations of the business and its financial performance in FY20.

Following the general election, Parliament ratified the withdrawal agreement, and the UK left the European Union on 31 January 2020 ("Brexit"). This began a transition period that is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. The Board has reviewed the impact of the various potential outcomes of Brexit on the Company, and although the final outcome is not yet clear, we have considered the impact of labour mobility, our client base, regulatory issues, taxation, the potential for more complex administration matters and foreign exchange implications. In particular the Board have considered the impact on our future cash flow forecasts for the purposes of assessing the Company's viability and its status as a going concern. Due to the nature of the business and our Company structure and operating model, based on the information available at the date of approval of these financial statements, the Board believes that the Company will not be materially impacted by Brexit, irrespective of the final form this takes.

Management has prepared cashflow forecasts reflecting the expected impact of the above matters based on information available at the date of signing of the financial report and believes that the Company has adequate resources to continue in operational existence for the foreseeable future. This has been assessed by review of forecasts that take into account the negative impacts on revenue and use of available government support mechanisms that help mitigate cash outflows. Management expects to have sufficient cash resources and available borrowing facilities from existing banking relationships. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Adoption of new and revised Standards

In the current year, the Company has adopted all the new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019 that are relevant to its operations. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements for the current or prior years, except as disclosed below.

Notes to the financial statements
Year ended 31 December 2019

2. Summary of significant accounting policies (continued)

IFRS 16: Leases

The Company adopted IFRS 16 with a transition date of 1 January 2019. The Company has chosen not to restate comparatives on adoption of IFRS 16, and therefore the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application i.e. 1 January 2019 and recognised in the opening balances for right-of-use assets and lease liabilities (see note 10a).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, with exemption for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's consolidated financial statements is described below.

The following table shows the operating lease commitments disclosed applying IFRS 16 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities *recognised in the statement of financial position at the date of initial application:*

	2019
	£'000
Operating lease commitments disclosed as at 31 December 2018	5,952
Less: Short-term leases recognised on a straight-line basis as expense	(17)
Less: Leases of low value assets recognised on a straight-line basis as expense	-
	5,935
Discounted using the Company's weighted average incremental borrowing rate of 1.66%	(1,480)
Add: Rent review adjustment	140
Lease liability recognised as at 1 January 2019	4,595

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

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.

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

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For explanation of the transitional requirements that were applied as at 1 January 2019, see 'IFRS 16: Leases' note above.

2. *Summary of significant accounting policies (continued)*

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 / contract liabilities and included as part of trade and other payables.

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 19).

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.

Notes to the financial statements
Year ended 31 December 2019

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 19 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.

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.

Metroline West Limited

Notes to the financial statements
Year ended 31 December 2019

3. Revenue

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

	2019 £'000	2018 £'000
Bus revenue	84,713	93,513
Finance income (note 6)	26	24
Total revenue	84,739	93,537

4. Information regarding directors and employees

	2019 £'000	2018 £'000
Directors' remuneration		
Short-term employee benefits	88	225
Termination benefits	-	13
Company contributions to money purchase pension schemes	5	9
	93	247
Highest paid director		
Short-term employee benefits	47	140
Termination benefits	-	13
Company contributions to money purchase pension schemes	5	7

	2019 No.	2018 No.
Average number of persons employed (including directors)		
Operating staff	998	1,133
Engineering	53	52
Administration	1118	130
	1,169	1,315

	2019 £'000	2018 £'000
Staff costs during the year (including directors)		
Wages and salaries	47,339	50,828
Social security costs	4,902	5,228
Pension costs	1,258	1,233
	53,499	57,289

No directors (2018: 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 Company of companies.

Notes to the financial statements
Year ended 31 December 2019

5. Operating profit

	2019	2018
Operating profit is stated after charging/(crediting):	**£'000**	**£'000**
Depreciation - owned assets	3,848	3,576
Depreciation charge of right-of-use assets:		
Buildings	427	-
Buses	1,037	-
Rentals under operating leases:		
Land and buildings	1,265	1,681
Buses	491	1,846
Plant and machinery	18	16
Profit on disposal of property, plant and equipment	(37)	(3)

Auditor's remuneration

	2019	2018
	£'000	**£'000**
Tax compliance fees	8	8

6. Finance income

	2019	2018
	£'000	**£'000**
Bank interest	26	23
Other interest	-	1
	26	24

7. Finance costs

	2019	2018
	£'000	**£'000**
Right-of-use assets - Finance lease expenses	66	-
Other interest	1	-
	67	-

8. Income tax expense

a) Tax expense:

	2019 £'000	2018 £'000
Current tax expense		
Current tax on profits for the year	400	1,233
Adjustments in respect of prior years	(45)	35
Total current tax charge	355	1,268
Deferred tax		
Origination and reversal of temporary differences (note 16)	148	73
Income tax expense reported in the income statement	503	1,341

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

	2019 £'000	2018 £'000
Profit before taxation for the year	2,319	6,584
Income tax expense calculated at standard rate of 19% (2018: 19%)	441	1,251
Factors affecting charge for the year:		
Disallowable expenses	142	75
Capital allowance for the year in excess of depreciation	(35)	(20)
Adjustments in respect of prior years	(45)	35
Total tax charge for the year	503	1,341
Effective rate	21.7%	20.4%

Notes to the financial statements
Year ended 31 December 2019

8. Income tax expense (continued)

b) Income tax recognised in other comprehensive income

	2019 £'000	*2018* £'000
Deferred tax		
Deferred tax related to items credited to other comprehensive income during the year:		
Fair value adjustment on cash flow hedges (note 16)	22	(17)
Income tax credited directly to other comprehensive income	22	(17)

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 2019 have been recognised at 17% (2018: 17%).

However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, the (unrecognised) deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax charge for the year and deferred tax liability as at 31 December 2019 would have been £130,000 higher.

9. Goodwill

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

	£'000
Cost and net book value	
At 31 December 2019	43,921
At 31 December 2018	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 (2018: £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 5.94% (2018: 5.8%). 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 1.4% (2018: 1.5%).

Notes to the financial statements
Year ended 31 December 2019

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 2019	4,848	8,931	30,899	2,235	46,913
Additions	8	122	5,555	72	5,757
Disposals	-	(90)	(278)	-	(368)
Reclassifications	10	(79)		69	-
Transfers	-	-	(155)	-	(155)
At 31 December 2019	**4,866**	**8,884**	**36,021**	**2,376**	**52,147**
Accumulated depreciation					
At 1 January 2019	427	1,843	9,117	1,422	12,809
Charge for the year	90	433	3,174	151	3,848
Disposals	-	-	(274)	-	(274)
Reclassifications	-	(11)		11	-
Transfers	-	-	(130)	-	(130)
At 31 December 2019	**517**	**2,265**	**11,887**	**1,584**	**16,253**
Net book value					
At 31 December 2019	4,349	6,619	24,134	792	35,894
At 31 December 2018	4,421	7,088	21,782	813	34,104

10a. Leases

Right-of-use- assets	Buildings £'000	Buses £'000	Total £'000
1 January 2019 *(note 2)*	*2,665*	*1,930*	*4,595*
Depreciation	(427)	(1,037)	(1,464)
At 31 December 2019	**2,238**	**893**	**3,131**
Lease liabilities			
1 January 2019 (note 2)	2,665	1,930	4,595
Interest expense	43	23	66
Lease payments	(450)	(1,053)	(1,503)
Rounding	(1)	-	(1)
At 31 December 2019	**2,257**	**900**	**3,157**

Lease liabilities are presented in the statement of financial position as follows:

	2019 £'000	2018 £'000
Lease liabilities:		
Current	1,097	-
Non-current	2,060	-
	3,157	**-**

11. Inventories

	2019 £'000	2018 £'000
Bus maintenance stocks	281	189
Fuel stocks	375	345
	656	534

Notes to the financial statements
Year ended 31 December 2019

12. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	3,226	3,206
Amounts owed by Company undertakings	19,357	17,819
VAT receivable	366	524
Prepayments	387	134
Contract assets	883	1,496
Hedging instruments (note 19)	30	-
	24,249	23,179

Amounts owed by Company undertakings are unsecured, bear no interest and are repayable on demand. No guarantees have been given or received, and no provisions have been made for doubtful debts in respect of the amounts owed. Additional information on related party transactions and balances are disclosed in note 22.

Following a review of the disclosure requirements, prior year balance of contract assets has been restated from £4,648,000 to £1,496,000 and this resulted in £3,152,000 increase in trade receivables.

13. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	924	1,048
Amounts owed to Company undertakings	409	423
Other taxes and social security	1,446	1,607
Hedging instruments (note 19)	-	101
Contract liabilities	1,472	1,414
Accruals	5,458	5,418
	9,709	10,011

Amounts owed to Company undertakings are unsecured, bear no interest and are repayable on demand. No guarantees have been given or received, and no provisions have been made for doubtful debts in respect of the amounts owed. Additional information on related party transactions and balances are disclosed in note 22.

14. Lease liabilities

	2019	2018
Amounts payable under finance leases:	£'000	£'000
Within one year	1,156	-
Between one and two years	654	-
Between two and five years	1,462	-
	3,272	-
Less: future finance charges	(115)	-
	3,157	-
Current liabilities	1,097	-
Non-current liabilities	2,060	-
	3,157	-

The above represents leases for certain buses and buildings of the Company. The weighted average incremental borrowing rate was 1.69%.

Notes to the financial statements
Year ended 31 December 2019

15. *Provision for accident claims*

	2019 £'000	2018 £'000
At 1 January	996	1,467
Utilisation of provision	(844)	(1,108)
Charged to profit and loss	681	637
At 31 December	833	996

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 £1,082,000 (2018: £1,580,000), 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.

16. Deferred tax liabilities

	Hedging fair value losses £'000	Accelerated tax depreciation £'000	Total £'000
At 1 January 2018	-	886	886
Charged to profit and loss	-	73	73
Credited to other comprehensive income	(17)	-	(17)
At 31 December 2018	**(17)**	**959**	**942**
Charged to profit and loss	-	148	148
Charged to other comprehensive income	22	-	22
At 31 December 2019	**5**	**1,107**	**1,112**

Notes to the financial statements
Year ended 31 December 2019

16. 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 2019 £'000	31 December 2018 £'000	2019 £'000	2018 £'000
Deferred tax liabilities				
Accelerated depreciation for tax purposes	(1,107)	(959)	148	73
Fair value adjustment on cash flow hedges	(5)	17	22	(17)
Deferred tax expense			**170**	**56**
Deferred tax liabilities net	**(1,112)**	**(942)**		

Reconciliation of deferred tax liabilities net:

	2019 £'000	2018 £'000
Opening balance as of 1 January	**(942)**	**(886)**
Tax expense during the year recognised in profit or loss	(148)	(73)
Tax (expense)/income during the year recognised in other comprehensive income	(22)	17
Closing balance as at 31 December	**(1,112)**	**(942)**

17. Called up share capital

	2019		2018	
	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

18. Financial commitments

	2019 £'000	2018 £'000
Capital commitments:		
Contracted for but not provided for property, plant and equipment	47	5,665

Operating lease arrangements:

The Company as lessee

As at 31 December 2019, the Company committed to £46,000 for leases exempted under IFRS 16.

As at 31 December 2019, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	-	444	-	1,471
Within two to five years	-	1,711	-	1,789
In five years or more	-	537	-	-
	-	2,692	-	3,260

Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 on adoption of the new leasing standard. 2018 comparative figures relate to outstanding commitments for operating leases. See note 2 for further information about the change in accounting policy for leases.

19. 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:

	Notes	Hedging instruments (carried at fair value) £'000	Financial assets measured at amortised cost £'000	Total £'000
At 31 December 2018				
Financial assets				
Trade receivables	12	-	3,206	3,206
Cash and cash equivalents		-	4,188	4,188
		-	7,394	7,394

19. Financial instruments (continued)

	Notes	*Hedging instruments (carried at fair value)* £'000	*Other liabilities (carried at amortised cost)* £'000	*Total* £'000
At 31 December 2018				
Financial liabilities				
Trade payables	13	-	1,048	1,048
Fuel hedge		*101*	-	101
		101	1,048	1,149

Following a review of the disclosure requirements, prior year balance of trade payables within financial liabilities have been restated from £2,459,000 to £1,048,000.

	Notes	Hedging instruments (carried at fair value) £'000	Financial assets measured at amortised cost £'000	Total £'000
At 31 December 2019				
Financial assets				
Trade receivables	12	-	3,226	3,226
Cash and cash equivalents		-	2,325	2,325
Fuel hedge		30	-	30
		30	5,551	5,581

	Notes		Other liabilities (carried at amortised cost) £'000	Total £'000
Financial liabilities				
Trade payables	13	-	924	924

For financial assets and liabilities measured at fair value, the methods used to measure fair value are described below.

19. 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 2019 and 2018.

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.

19. Financial instruments (continued)

Market risk (continued)

Hedging instruments held:

	Notional		Fair Value	
	2019	2018	2019	2018
			£'000	£'000
Fuel hedges				
MT	1,505	2,218	30	(101)

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 £2,325,000 (2018: £4,188,000) of which £2,324,000 (2018: £4,207,000) 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.

Notes to the financial statements
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20. *Retirement benefit obligations*

The Company operates a defined contribution pension scheme. The charge for the scheme in 2019 is £1,258,000 (2018: £1,233,000). The contributions outstanding at the year end amounted to £nil (2018: £nil).

21. 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 Company of which the Company is a member, and for which consolidated accounts are prepared. Copies of its financial statements can be obtained from their registered office of ComfortDelGro House, 329 Edgware Road, Cricklewood, London NW2 6JP.

The ultimate parent company of the largest Company of which the Company is a member and for which Company 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 their registered office of 205 Braddell Road, Singapore 579701.

22. Related party transactions

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

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts due to related parties	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Westbus Coach Services Limited	7	-	-	-

The amount owed by Westbus Coach Services Limited consists of waste collection costs paid by Metroline West Limited to suppliers on behalf of the company which had not yet been reimbursed at 31 December 2019.

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