Registration number: 00689260

Abellio West London Limited

Annual report and financial statements

For the year ended 31 December 2019

Abellio West London Limited

Contents

Abellio West London Limited

Company information

Directors	D D G Booth A T Pilbeam A R Wilson A G Worboys
Company secretary	Brodies Secretarial Services Limited
Registered office	301 Camberwell New Road London SE5 0TF
Bankers	HSBC Bank PLC 8 Canada Square London E14 5HQ
Auditor	Ernst & Young LLP Senior statutory auditor 2 St. Peter's Square Manchester M2 3EY United Kingdom

Abellio West London Limited

Strategic report
For the year ended 31 December 2019

The directors present their Strategic report for the year ended 31 December 2019.

The directors, in preparing this Strategic report, have complied with section 414C of the Companies Act 2006.

Principal activity

The principal activity of Abellio West London Limited ("the company") during the year was the provision of passenger bus services in London under contract with Transport for London (TfL) and other bus related services for TfL. The company trades under the name of "Abellio London" that includes the company and Abellio London Limited (a fellow subsidiary in the Abellio Group). Further information on passenger bus services is available on www.abellio.co.uk.

Business model

The business operates from three depots at Hayes, Twickenham and Southall with the latter being a brand new purpose built facility opened in the year to support significant volume growth secured in the West London TfL market. The depots are leased and it is company policy to lease buses where market conditions permit viable rates. Under IFRS 16 the lease is recognised in the entity which holds the legal title. When the underlying asset is being operated by the company which does not hold the legal title to the lease, an appropriate recharge of costs is made between Abellio London Limited and Abellio West London Limited.

Depot management teams across operations and engineering are responsible for the day to day service. The leadership team and central functions are based at Battersea, Hayes, Twickenham and Walworth. The Battersea and Walworth depots are operated by Abellio London Limited. Regular reviews are held to monitor performance, which are supported by key performance indicators. The board sets annual targets that are cascaded down to depots and functions via a "Devolved Accountability" model. Functional action plans ensure initiatives are aligned with the targets. Actual performance and updates on action plans are formally tracked by the board each month.

The business recognises the pressure on resources and encourages all employees to find ways of working smarter. Senior managers collaborate with group colleagues to leverage best practice and share expertise on projects.

Governance arrangements are agreed with Abellio Transport Holdings Limited, the company's immediate parent undertaking, that ensure compliance with the ultimate parent company's requirements. Group's corporate audit team performs independent internal audits on the business and remedial actions are tracked to conclusion by the board.

Business review and results

The operating profit of £4.5m compares to £1.5m in 2018 restated. The underlying performance of the business was satisfactory. The business operates in a competitive market that derives a significant part of its revenue through public sector contracts.

KPIs

The company continued to tender for the operation of more bus routes in London on behalf of Transport for London. During the year, the company won five routes, extended one, retained one and lost none.

During the year, across the larger route portfolio the company delivered good performance when compared to other London operators in the TfL service performance league for excess waiting time (EWT) on high frequency routes, finishing 6th out of 18 operators. The company expects this strong performance to continue in 2020.

KPIs (continued)
Road Traffic Collisions (RTC) are measured by the company and benchmarked by TfL. For the combined TfL business through the company and Abellio London Limited, the business experienced 45.1 RTC per million kilometres (2018: 48.7 RTC per million kilometres). Strategies, including fleet-wide fitment of Mobileye's defensive driving aid, are in place to reduce this figure going forward in order to lessen the impact the business has on vulnerable road users and other third-parties.

The company's key financial performance indicators during the year were as follows:

	Unit	2019	As restated 2018	Change
Revenue	£'000	58,546	48,235	10,311
Operating profit for the year	£'000	4,518	1,470	3,048
Equity	£'000	4,391	1,495	2,896
Mileage operated	Million	11.46	10.15	1.31
Average employees	Number	766	671	95
Bus fleet at year end	Number	290	228	62

Principal risks and uncertainties
Key risks are managed by the directors and formally reviewed on a quarterly basis. When new risks are identified, they are assessed, assigned an owner and added to the risk register.

The risk register is formally reported and approved by the board, and submitted to the group.

The key risks are:

1. Insurance claims and repair costs; the company continues to develop a wide range of controls that focus on driver behaviour and performance standards. For example, the 3 "Sees" is a core theme of the business that describes the expectations of drivers in respect of a defensive driving strategy. This approach was supplemented in 2019 by the fleet-wide fitment of Mobileye's forward collision warning system.
2. TfL contract price adjustments (CPAs) that do not match annual cost increases; the company monitors costs against the relevant indices and engages through the Bus Operators' Forum with TfL.
3. Acts of terrorism; the company maintains strong relationships with the police and TfL, and instils an awareness mentality throughout the business.
4. Industrial Relations; the company pays attention to establishing a good working relationship with Unite the Union with emphasis on transparency and building a full understanding of financial performance and the key drivers necessary to achieving long-term stability and sustainability.
5. Brexit: the company monitors possible service disruptions, cost increases and labour restrictions. The company continues to work with TfL on service continuity plans and engages with key suppliers.
6. Coronavirus: the company continues to work closely with staff and TfL in order to monitor and limit the potential impact of the Coronavirus.

Future developments
The business has ambitious plans for growth, whether organically or through acquisition. The combined market share of the company and Abellio London Limited in London was 8.9% at the end of 2019 (2018: 7.8%). The company believes it is well placed to take advantage of any growth opportunities.

The directors engage with external stakeholders and attend industry forums to understand market opportunities and risks, and influence the shape of bus services in and outside London. Management strategies are formally presented to the board for discussion and approval.

The business and its stakeholders are acutely aware of the impact on the environment from running passenger bus services. Advances in vehicle technology continue to make buses more environmentally friendly. The company is well placed to take advantage of new technology and is actively working to introduce zero emission vehicles into the fleet.

Section 172 statement
The directors of the company act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to:

- 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 (including lessors), customers, members of the Abellio Group, TfL, the Traffic Commissioner, employees and trade unions;
- 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; and
- the need to act fairly as between members of the company.

The directors' approach
Monthly board meetings consist of a comprehensive summary of the above considerations. Formal delegated financial authorities ensure appropriate approval from the board, UK board or the ultimate shareholder supported with business cases for significant decisions. The board consists of the Managing Director and Finance Director and two Group directors; other members of the senior management attend board meetings as necessary to ensure suitably robust discussions on important matters. For example, the board formally approved the introduction of the Driver Apprenticeship Scheme.

Maintaining our license to operate
The directors have ensured that the business continues to maintain its license to operate through:

- ensuring that decisions taken are in the interests of the business in the long-term through local and group board meetings;
- engaging with employees when making decisions - see the 'Engagement with Employees' section in the Directors' Report;
- fostering business relationships with suppliers, customers and others - see the section below on 'Engagement with suppliers, customers and other' for how the directors of the company have engaged with suppliers and customers during the year;
- impact on the community and the environment - see the 'Environment' section in the Directors' Report;
- maintaining a reputation for high standards of business conduct - the directors and senior management team ensure that all teams understand the importance of high standards in conducting business. This is supported by detailed initiatives such as recurring on-line training programmes on Anti-Bribery and GDPR. Compliance is monitored by the HR team; and
- acting fairly as between members of the company - the directors consider the needs of shareholders (the Abellio Group) when taking actions and this is endorsed as part of the group governance.

Section 172 statement (continued)
Based on the actions taken by the directors it is considered that the business is well positioned to be able to maintain its licence to operate.

Key decisions during the year are as follows:

- The Drivers Apprenticeship Scheme - see the 'Employees' section in the Directors' Report
- Electrification strategy - see 'Engagement with stakeholders' section below.

Engagement with stakeholders
The directors engage with external stakeholders and attend industry forums to understand market opportunities and risks, and influence the shape of bus services in and outside London. Regular TfL forums ensure a consistent dialogue across all operational areas and include a quarterly overarching executive review that looks at historical results and future strategies. For example, the company's electrification strategy will support TfL's vision. Furthermore, formal feedback was sought from TfL in 2019 and has been used to develop the long-term relationship.

The senior management team engage with the Traffic Commisioner, who is responsible for the licensing and regulation of the buses. The company successfully achieved DVSA Earned Recognition during the year through a digital compliance platform.

A Procurement Manager was appointed in 2019 to develop supplier relationships, enhance the tender and strengthen contract management. The position played a pivotal role in minimising the Brexit risk and the disruption when Wrightbus (supplier of TfL New RouteMasters) entered administration during the year. The successful management of these issues involved engagement with TfL and the RouteMaster user group to find alternative suppliers.

See the Directors Report for a summary of engagement with employees. The company is in regular dialogue with trade unions to ensure appropriate staff decisions are made.

Approved by the Board on 18 December 2020 and signed on its behalf by:

A G Worboys
Director

Directors' report
For the year ended 31 December 2019

The directors present their annual report on the affairs of Abellio West London Limited (the "company"), and the audited accounts for the year ended 31 December 2019.

Financial results and dividend
Financial results for the year are shown on page 14. Revenue in the year was £58.5m compared to £48.2m in 2018 restated. The profit for the year after taxation amounted to £3.4m compared to £1.4m in 2018 restated. The directors approved and made payment of a dividend at £nil (2018: £0.93) per share amounting to a total dividend of £nil in 2019 (2018: £0.8m).

On 22 August 2019 the company passed a resolution to reduce ordinary share capital from £805,000 to £1, see note 22.

A dividend of £1.5m was declared, approved by the Directors and paid post year end. The dividend per share was £1.5m.

Health and safety
The company actively promotes on-road and in-depot safety, with 2019 marking a significant investment in both specific management resource and on-bus technology. The company's fleet is low-floor, easy-access with disabled access ramps.

The company maintains regular contact with the local police, TfL, and shares CCTV and driver intelligence where appropriate.

The company operates an ongoing training programme.

Environment
The company is actively combating climate change. The company implements new ways of making its operations more carbon-efficient, works with government and other third-party bodies to help shape lower carbon transport policies, and encourages people to switch to public transport.

The company is Environmental Management ISO14001 accredited at the three depots.

Employees
The company continues to build on the success of "The Abellio Way" that sets out a consistent way of working that will sustain success. The Abellio Way describes the expected values and behaviours of the people in the company as Genuine, Professional, Inclusive and Proactive.

The company launched an in-house Driver Apprenticeship Scheme during the year. Apprentices participate in a 14-month programme, and this substantial investment is expected to deliver higher standards for customer service and driving.

The company is a non-discriminatory employer operating an Equal Opportunities and Diversity Policy which aims to eliminate unfair discrimination, harassment, victimisation, and bullying. The company is committed to ensuring that all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age, or membership or non-membership of a trade union.

The company's recruitment policies are designed to ensure that all applicants are considered fairly for positions within the company. The company uses consultative procedures agreed with its staff and elected representatives with a view to ensuring that employees are aware of all matters affecting the business including financial and economic factors which influence the company's performance and prospects.

Disability
The company promotes equality and diversity amongst the workforce. The values of Abellio guide the business and recognise that being a diverse and inclusive employer fulfils a responsibility to make a difference to its customers. The company develops a work environment that treats all employees as individuals, in a fair and consistent way. The business works within the spirit and the practice of the Equality Act 2010, promotes a culture of respect and dignity, and actively challenges any form of discrimination.

Engagement with employees
Employee involvement is integral to the way the company conducts business and is a fundamental part of the Abellio values. The directors proactively consult with Unite the Union in terms of pay and broader working conditions. The business operates an open door policy to listen to employee concerns, and encourages honest dialogue through 'Director Forums' and internal social media platforms.

The company conducts an annual employee engagement survey to monitor and benchmark specific areas as part of a Group wide programme. The results are shared with employees through a series of workshops from which a programme of initiatives are approved by the senior management team.

Directors and their interests
The directors who served throughout the year and up to the date of signing of the financial statements except as noted, were as follows:

D D G Booth

J Edwards (resigned 11 August 2020)

A T Pilbeam

A R Wilson

A G Worboys

No director has any interest in the shares of the company or other interests that require disclosure under the Companies Act 2006.

Directors' indemnities
Directors' indemnity insurance is in place for all directors, subject to the conditions set out in section 234 of the Companies Act 2006. Such indemnity insurance remains in force as at the date of approving the Directors' report.

Financial risk management objectives and policies
The company's activities expose it to financial risks, such as credit risk. The company's principal financial assets are bank balances, trade receivables, and other receivables.

The company's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. There is no such evidence of the need for any material impairment of trade receivables in the current or previous period.

The risks in respect of liquidity, interest rate, cash flow, foreign exchange, and price are managed by local management with the support of the immediate parent, Abellio Transport Holdings Limited.

Political contributions
The company made no political donations and did not incur any political expenditure during the year.

COVID-19

On 11 March 2020, the World Health Organisation ('WHO') declared COVID-19 as a pandemic, affecting multiple countries including the UK. The board continues to monitor the impact of this event on future operating performance of the company and will take the necessary measures to safeguard the company's assets during this uncertain period.

During this challenging period the safety of the staff and passengers has remained the main priority of the company. The business operating activities have been constantly reviewed to ensure they are kept in line with government and TfL guidance to keep everyone as safe as possible.

A reduced service was operated during the first lock down rules imposed in the UK in April to June 2020, the company resumed close to full service from July onwards with additional school services in the winter term. Discussions were held with TfL with respect to a contractual variation which will see Abellio and other operators "no better or worse off" as a result of Coronavirus.

Further consideration of the impact on the group can be found in the Directors' report and in notes 3 and 25.

Future developments

The directors are also considering the ongoing impact of COVID-19. In the medium to long term the directors believe the TfL network will evolve to meet new travel patterns and continue to engage with senior stakeholders to ensure the business is well placed to support such plans.

Going concern

The directors are required to consider the availability of resources to meet the company's liabilities for a period of at least twelve months from the date of approval of these financial statements. The directors have considered the going concern position of the company, taking into account the uncertainty surrounding the current COVID-19 pandemic.

As at 31 December 2019, the company has net current assets of £0.8m (2018: net current assets of £1.4m, not re-stated for the impact of IFRS 16), net assets of £4.4m (2018: £1.5m) and a cash at bank balance of £2.7m (2018: £7.3m).

As part of this going concern review, the directors have analysed cashflow forecasts covering a period of 12 months from the date of signing the financial statements across a range of scenarios. These scenarios cover a range of plausible downside sensitivities, which demonstrates that the company will continue to have sufficient liquidity despite the ongoing uncertainty and before any mitigating actions are taken. The directors have therefore prepared the financial statements on a going concern basis.

Factors considered in reaching this conclusion include:

- Post year end trading conditions. Despite a temporary reduction in revenue, due to a reduced timetable, the company has continued to trade profitably throughout the period and continues to be cash generative.
- Variations to existing contract. Short-term variations to current contracts are on a "no better, no worse off" basis.
- Cleaning costs. Additional depot and bus cleaning costs have been included in the forecast and whilst significant are not material to the going concern assessment.
- Government support. The company had taken advantage of the Government's job retention scheme which has been extended to March 2021.
- Macroeconomic factors. Given the nature of the company's business and contracts, the general economic slow down is not likely to have any significant adverse impact on the business in the short term, i.e the 12 month period from the date of approval of these financial statements.

Going concern (continued)
The directors have noted that the accounts of Transport for London ('TfL') for the year ended 31 March 2020, which were approved on 29 July 2020, disclosed a material uncertainty over the level of funding which it will receive, and therefore planned future activities, which cast significant doubt over TfL's ability to continue to operate the level of service currently provided.

This going concern assessment has been prepared on the basis that the contracts to run routes currently in place with TfL will continue throughout the period considered. If there was a significant reduction in the volume of buses or number of routes being run, the directors believe any service changes will be dealt through the current practise of passing back variable cost savings and not impact the assessment. If this were not the case, there could be a material uncertainty over the funding of the company, subject to taking mitigating actions, and thus cast doubt on its ability to continue as a going concern.

As a result of these forecasts performed and actions taken, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Financial instruments
The company finances its activities through a combination of reinvestment of profits, and lease agreements. Financial instruments such as trade debtors and trade creditors arise directly from the company's operating activities. Financial instruments are managed by the immediate parent, Abellio Transport Holdings Limited.

Events after the balance sheet date
On 11 March 2020, the World Health Organisation ('WHO') declared COVID-19 as a pandemic, affecting multiple countries including the UK. The board has considered the impact of this event on future operating performance of the company and the uncertainties that this event may create. The current situation continues to be closely monitored by the board and appropriate actions taken in order to mitigate, as far as possible, the impact of the pandemic on the company.

The directors have considered if any adjustments are required to the amounts reported in the financial statements. However, it has been concluded that this is a non-adjusting subsequent event, given the company's year-end of 31 December 2019.

Statement of disclosure to auditor
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board on 18 December 2020 and signed on its behalf by:

....
A G Worboys
Director

Directors' responsibilities statement

The directors are responsible for preparing the annual report including the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Independent auditor's report to the members of Abellio West London Limited

Opinion

We have audited the financial statements of Abellio West London Limited for the year ended 31 December 2019 which comprise the income statement, the balance sheet, the statement of changes in equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to notes 3 and note 25 of the financial statements which refer to Directors' assessment of going concern in light of the Covid-19 pandemic.

As disclosed, the COVID-19 pandemic has had a significant impact on the operations of the company and on its key customer, Transport for London (TfL). Whilst the immediate financial impact to the company has been limited, the company is reliant on TfL's ability and willingness to continue the existing contracted level of service through the life of each individual contract. This continued service and funding by TfL constitutes a fundamental assumption in the directors' assessment of the company's ability to continue as a going concern.

As noted in note 3, material uncertainty exists with regards to TfL's ability to continue the current planned level of service for a period of at least 12 months from the date of authorisation of the company's financial statements. This material uncertainty may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Abellio West London Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Abellio West London Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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Tehseen Ali (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Date: 21/12/2020

Abellio West London Limited

Income statement
For the year ended 31 December 2019

	Note	2019 £ 000	As restated 2018 £ 000
Revenue	5	58,546	48,235
Cost of sales		(48,587)	(44,846)
Gross profit		9,959	3,389
Administrative expenses		(5,605)	(1,919)
Other operating income	6	164	-
Operating profit		4,518	1,470
Interest receivable and similar income	7	142	27
Interest payable and similar charges	8	(385)	-
Profit before taxation	10	4,275	1,497
Taxation	12	(862)	(121)
Profit for the financial year		3,413	1,376

Certain amounts in the prior year have been restated, please refer to note 27.

The above results were derived from continuing operations.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of comprehensive income has been prepared. Total comprehensive income for the year was £3.4m (2018 restated: £1.4m).

The notes on pages 17 to 43 form an integral part of these financial statements.

Abellio West London Limited

Balance sheet
As at 31 December 2019

	Note	2019 £ 000	As restated 2018 £ 000
Non-current assets			
Tangible fixed assets	14	3,243	1,070
Investments in subsidiaries	15	-	-
Right-of-use assets	20	15,267	-
		18,510	1,070
Current assets			
Inventories	16	371	296
Trade receivables	17	5,455	3,483
Cash at bank and in hand		2,652	7,275
		8,478	11,054
Current liabilities			
Trade payables	18	(5,861)	(9,615)
Lease liabilities	21	(1,791)	-
Income tax liability		-	(17)
		(7,652)	(9,632)
Net current assets		826	1,422
Total assets less current liabilities		19,336	2,492
Non-current liabilities			
Lease liabilities	21	(13,960)	-
Provisions for liabilities	19	(985)	(997)
Net assets		4,391	1,495
Equity			
Called-up share capital	22	-	805
Retained earnings		4,391	690
Total equity		4,391	1,495

Certain amounts in the prior year have been restated, please refer to note 27.

The financial statements of Abellio West London Limited (registration number: 00689260) were approved by the Board of Directors and authorised for issue on 18 December 2020. They were signed on its behalf by:

A G Worboys

Director

The notes on pages 17 to 43 form an integral part of these financial statements.

Abellio West London Limited

Statement of changes in equity
For the year ended 31 December 2019

	Note	Called-up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018		805	226	1,031
Prior period adjustment	27	-	(162)	(162)
At 1 January 2018 (restated)		805	64	869
Profit for the financial year (restated)		-	1,376	1,376
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	1,376	1,376
Dividends	13	-	(750)	(750)
At 31 December 2018 (restated)		805	690	1,495

	Note	Called-up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019 (restated)		805	690	1,495
Impact of transition to IFRS 16	2	-	(517)	(517)
Profit for the financial year		-	3,413	3,413
Total comprehensive income for the year		-	3,413	3,413
Dividends	13	-	-	-
Purchase of own share capital	22	(805)	805	-
At 31 December 2019		-	4,391	4,391

The notes on pages 17 to 43 form an integral part of these financial statements.

1 General information

Abellio West London Limited (the "company") is a private company limited by shares incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:
301 Camberwell New Road
London
SE5 0TF

The nature of the company's operations and principal activities are set out in the Strategic report on page 2 - 5.

These financial statements are presented in pounds sterling which is the functional currency of the company. The values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The financial statements of Abellio West London Limited (registration number: 00689260) were approved by the Board of Directors and authorised for issue on 18 December 2020

2 Adoption of new and revised Standards

Impact of initial application of other amendments to International Financial Reporting Standards ('IFRS') and Interpretations

In the current year, the company has applied a number of amendments to International Accounting Standards ('IAS'), IFRS Standards and International Financial Reporting Interpretations Committee ('IFRIC') and Interpretations issued by the International Accounting Standards Board ('IASB') that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRIC 23 'Uncertainty of Tax Treatments' (effective date 1 January 2019);
- IFRS 9 (amendments) 'Financial Instruments - Prepayment Features with Negative Compensation and modifications of financial liabilities' (effective date 1 January 2019);
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments to long-term interest in associates and joint-ventures;
- Amendments to IAS 19 'Employee Benefits' - Amendments to Plan Amendment, Curtailment and Settlements (effective date 1 January 2019);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective date 1 January 2019);

General impact of application of IFRS 16 Leases

In the current year, the company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to 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, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

2 Adoption of new and revised Standards (continued)

General impact of application of IFRS 16 Leases (continued)
The date of initial application of IFRS 16 for the company is 1 January 2019.

The company has applied IFRS 16 using the cumulative catch-up approach which:

- Requires the company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.
- The adjustment to the opening balance is net of deferred tax.

(a) Impact of the new definition of a lease
The company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the company.

(b) Accounting impact
Former operating leases

IFRS 16 changes how the company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the company:

(a) Recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments, in accordance with IFRS 16:C8(b)(i)

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the income statement;

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes personal computer hardware, office furniture, photocopiers, mobile phones/mobile devices and coffee machines), the company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in the income statement.

The company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

Notes to the financial statements (continued)
For the year ended 31 December 2019

2 Adoption of new and revised Standards (continued)

(b) Accounting impact (continued)

- The company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(c) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the balance sheet on 1 January 2019 is 3.52%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheet at the date of initial application.

Impact on on Income Statement for the year ending 31 December 2019 of adopting IFRS 16:

	2019
	£ 000
Increase in depreciation expense on right of use assets- public vehicles (in cost of sales)	2,034
Reduction in operating lease expense- public vehicles (in cost of sales)	(4,975)
Increase in depreciation expense on right of use assets- leasehold property (in administrative expenses)	500
Reduction in operating lease expense- leasehold property (in administration expenses)	(674)
Increase in interest expense	366
Reduction in other operating income (note 6)	(164)
Increase in operating charges received from group undertakings	3,129
Change in tax charge	41
Impact on profit after tax	257

2 Adoption of new and revised Standards (continued)

Financial impact of initial application of IFRS 16 (continued)

Impact on retained earnings as at 1 January 2019

	2019
	£ 000
Operating lease commitments at 31 December 2018	15,668
Discounted using the incremental borrowing rate at 1 January 2019	(535)
Intercompany transfer of leases	(8,750)
Lease liabilities recognised at 1 January 2019	6,383

The company has recognised £6,110,000 of right-of-use asset and £6,383,000 of lease liability on transition to IFRS 16. Prepayments were reduced by £350,000, being those which related to operating leases prior to the adoption of IFRS 16. A deferred tax asset of £106,000 has also been recognised on transition. The net impact of £517,000 is recognised in retained earnings.

3 Accounting policies

Summary of significant accounting policies

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.

Statement of compliance

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

Basis of accounting

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The functional currency of the company is deemed to be pound sterling (£) because that is the currency of the primary economic environment in which the company operates.

Consolidation

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of N.V. Nederlandse Spoorwegen.

The results of Abellio West London Limited are included in the consolidated financial statements of N.V. Nederlandse Spoorwegen which are available from Laan van Puntenburg 100, 3511 ER, Utrecht, The Netherlands.

3 Accounting policies (continued)

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(1) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where relevant, equivalent disclosures have been given in the group accounts of NV Nederlands Spoorwegen. The group accounts of NV Nederlands Spoorwegen are available to the public and may be obtained by writing to Lean van Puntenburg 100, 3511 ER, Utrecht, The Netherlands.

Going concern

The directors are required to consider the availability of resources to meet the company's liabilities for a period of at least twelve months from the date of approval of these financial statements. The directors have considered the going concern position of the company, taking into account the uncertainty surrounding the current COVID-19 pandemic.

As at 31 December 2019, the company has net current assets of £0.8m (2018: net current assets of £1.4m, not re-stated for the impact of IFRS 16), net assets of £4.4m (2018: £1.5m) and a cash at bank balance of £2.7m (2018 £7.3m).

As part of this going concern review, the directors have analysed cashflow forecasts covering a period of 12 months from the date of signing the financial statements across a range of scenarios. These scenarios cover a range of plausible downside sensitivities, which demonstrates that the company will continue to have sufficient liquidity despite the ongoing uncertainty and before any mitigating actions are taken. The directors have therefore prepared the financial statements on a going concern basis.

Factors considered in reaching this conclusion include:

- Post year end trading conditions. Despite a temporary reduction in revenue, due to a reduced timetable, the company has continued to trade profitably throughout the period and continues to be cash generative.
- Variations to existing contract. Short-term variations to current contracts are on a "no better, no worse off" basis.

3 Accounting policies (continued)

Going concern (continued)

- Cleaning costs. Additional depot and bus cleaning costs have been included in the forecast and whilst significant are not material to the going concern assessment.
- Government support. The company had taken advantage of the Government's job retention scheme which has been extended to March 2021.
- Macroeconomic factors. Given the nature of the company's business and contracts, the general economic slow down is not likely to have any significant adverse impact on the business in the short term, i.e the 12 month period from the date of approval of these financial statements.

The directors have noted that the accounts of Transport for London ('TfL') for the year ended 31 March 2020, which were approved on 29 July 2020, disclosed a material uncertainty over the level of funding which it will receive, and therefore planned future activities, which cast significant doubt over TfL's ability to continue to operate the level of service currently provided.

This going concern assessment has been prepared on the basis that the contracts to run routes currently in place with TfL will continue throughout the period considered. If there was a significant reduction in the volume of buses or number of routes being run, the directors believe any service changes will be dealt through the current practise of passing back variable cost savings and not impact the assessment. If this were not the case, there could be a material uncertainty over the funding of the company, subject to taking mitigating actions, and thus cast doubt on its ability to continue as a going concern.

As a result of these forecasts performed and actions taken, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Revenue

Passenger service income
The company has a number of contracts in place with Transport for London for the provision of passenger bus services on a number of routes. Each route is subject to a separate contract. Under the terms of the contract there are bonus payments and penalty payments if certain conditions and performance levels are met or not.

Under IFRS 15, the company has assessed that there is one performance obligation for each contract and that the company transfers control of the services provided to the customer over a period of time. The transaction price of each contract will be adjusted for any bonus due from or payment due to the customer under the terms of the contract.

In accordance with IFRS 15, the company recognises the reduction of revenue for any penalty when (or as) the later of either of the following events occurs:

(a) the company recognises revenue for the transfer of the related service to the customer; and

(b) the company pays or promises to pay the consideration (even if the payment is conditional on a future event).

Other bus related services
Other bus related services relate to advertising on buses and provision of MOT income. Under IFRS 15, the company has assessed that there is one performance obligation and that the company transfers control of the services provided to the customer at the point the advertising or MOT service occurs. As such, revenue is recognised on the date the service is provided.

Revenue is recognised net of any discounts and value added tax.

3 Accounting policies (continued)

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply when the related asset or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited to equity if it relates to items that are charged or credited direct to equity. Otherwise income tax is recognised in the profit and loss account.

Leases
The company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

Initial application

The company assesses whether a contract is or contains a lease, at inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as personal computer hardware, office furniture, photocopiers, mobile phones/mobile devices and coffee machines). For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the company's incremental borrowing rate.

3 Accounting policies (continued)

Leases (continued)

Policies applicable from 1 January 2019 (continued)

Lease liability (continued)
Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Interest on lease liabilities is included in Interest payable and similar charges.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use asset
The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

3 Accounting policies (continued)

Leases (continued)

Policies applicable from 1 January 2019 (continued)

Right-of-use asset (continued)
The depreciation starts at the commencement date of the lease. Depreciation is charged to the Income Statement and is included within administrative expenses for leasehold property and cost of sales for public service and other vehicles.

The right-of-use assets are presented as a separate line in the balance sheet.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Administrative expenses' in the income statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Policies applicable prior to 1 January 2019 - leases
All leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Inventories
Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Parts stock is valued at First In First Out Basis (FIFO) and fuel stock is valued at the average spot price across all depots for the last week in the month.

3 Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The company presents the insurance provision gross of any reimbursement. This presentation provides a more accurate representation of the relationship between the company, claimants and our insurance providers.

The company provides for the gross expected amounts to be paid to claimants for accidents where they are liable. The company also holds insurance to cover some of these expected losses. Where reimbursement from our insurers against the amounts provided is available, this is recognised as a separate asset in the balance sheet.

The company's policy is to self-insure high frequency claims within the business. To provide protection above these types of losses, the company purchases insurance cover from a selection of proven and financially strong insurers. These insurance policies provide individual claim cover subject to excess limits and aggregate stop losses for total claims within the excess limits. A provision is made for the estimated cost to the company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

Financial assets

Financial assets are recognised in the company's statement financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories. The classification depends on the nature, and purpose of the financial assets and is determined at the time of recognition.

Trade receivables

Trade and other receivables are stated at fair value (plus any directly attributable transaction costs) upon initial recognition. Subsequent to initial recognition, they are recognised at amortised cost using the effective interest method.

The company forms a provision for impairment equal to the size of the lifetime expected credit losses from trade and other receivables. The loss provision is determined on the basis of historical payment data and forward looking information.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3 Accounting policies (continued)

Financial liabilities (continued)

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Financial instruments
The company uses derivative financial instruments such as forward fuel contracts to hedge its risks associated with the movement in fuel prices. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, the company's hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. Any gains or losses that do qualify for hedge accounting are taken to other comprehensive income, net of tax. At the date on which hedging contracts expire the amount included within reserves is transferred to retained earnings.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3 Accounting policies (continued)

Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets other than land, on a straight-line basis over its expected useful life as follows:

Asset class	**Depreciation method and rate**
Leasehold improvements	15 to 40 years (or period of lease if shorter)
Public service and other vehicles	5 to 15 years
Plant, equipment and other assets	3 to 10 years

Impairment of tangible fixed assets
At each reporting date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends
Dividends are only recognised as a liability to the extent that they are declared prior to the year end and remain unpaid. Dividends declared after the year end but prior to the approval of the financial statements are disclosed in the notes to the financial statements.

Other income
Other income relates to recharges of expenses incurred in relation to leases under IFRS 16 where the underlying asset is operated by another group company. Other income is recognised as the related expense is incurred.

3 Accounting policies (continued)

Defined contribution pension scheme
The company operates a defined contribution pension scheme. The amounts of contribution are fixed as a percentage of salaries and the company has no legal or constructive obligation to pay any further contributions. The pension cost charge represents contributions payable in the year.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumption that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Judgements
Insurance claims
The accounts include individual claim provisions, where the company is deemed to be responsible for an incident, up to excess values above which costs is borne by the insurers. The value of these individual claims is based on the specific circumstances of each incident, with expert advice from third party claims handlers and insurers.

Estimates
Quality incentive contracts
TfL award quality incentive contracts that include potential bonuses and penalties. The accounts include individual contract projections based on past performance and future expectations based on experience and any specific known factors applicable to those contracts.

Incremental borrowing rate applied under IFRS 16
There is significant estimation uncertainty in determining an appropriate discount rate to apply at the transition date of 1 January 2019. This is especially true for leases where often there is no interest rate implicitly stated within the lease. For such leases a discount rate is derived by estimating the incremental borrowing rate ('IBR'). The IBR is the rate at which the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. There is therefore significant estimation uncertainty in estimating the appropriate IBR. As explained further in the accounting policies section on page 20, the Company has applied the practical expedient available when adopting IFRS 16 for the first time, to apply the same discount rates to assets which have similar characteristics. An increase in the discount rate of 0.5% applied to leases would decrease the lease liability by £696k. A decrease in the discount rate of 0.5% applied to leases would increase the lease liability by £759k.

5 Revenue

The analysis of the company's revenue is as follows:

	2019 £ 000	As restated 2018 £ 000
Passenger services	57,996	47,794
Other bus related activities	550	441
	58,546	48,235

Certain amounts in the prior year have been restated, please refer to note 27.

All revenue arises within the United Kingdom.

6 Other operating income

The analysis of the company's other income for the year is as follows:

	2019 £ 000	2018 £ 000
Amounts recharged to group undertakings	164	-

Other income relates to amounts recharged to fellow group undertakings in relation to IFRS 16 depreciation charges for assets which are operated by other group companies but the lease is recognised in this entity.

7 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Bank interest receivable	116	-
Interest receivable from group companies	26	27
	142	27

8 Interest payable and similar charges

	2019 £ 000	2018 £ 000
Interest on claims provision	19	-
Interest on lease liabilities	366	-
	385	-

9 Staff costs

Their aggregate remuneration comprised:

	2019 £ 000	2018 £ 000
Wages and salaries	30,251	25,515
Social security costs	2,837	2,450
Other pension costs	566	420
	33,654	28,385

Directors are employed by and receive their remuneration from Abellio Transport Holdings Limited and Abellio London Limited, the above payroll costs reflect any recharged remuneration.

The directors do not consider it practicable to allocate the charges for the directors in a reasonable manner.

The average monthly number of employees (including directors) during the year was as follows:

	2019 No.	2018 No.
Drivers	673	590
Inspectors	23	26
Engineers	40	40
Other staff	30	15
	766	671

10 Profit before taxation

Profit for the year has been arrived at after charging:

	2019 £ 000	2018 £ 000
Depreciation on right-of-use assets - property	500	-
Depreciation on right-of-use assets - motor vehicles	2,033	-
Depreciation on tangible fixed assets	422	327
Loss on disposal of tangible fixed assets	200	23
Impairment of financial assets	-	5
Cost of inventory recognised as expense	6,253	5,469
Operating lease expense - buses	-	4,998
Operating lease expense - land and buildings	-	789

11 Auditor's remuneration

	2019 £ 000	2018 £ 000
Fees payable to the company's auditors for the audit of the company's annual accounts	16	11

12 Taxation

Tax charged for the year in the income statement:

	2019 £ 000	As restated 2018 £ 000
Current taxation		
UK corporation tax	787	346
UK corporation tax adjustment to prior periods	(20)	(195)
	767	151
Deferred taxation		
Arising from origination and reversal of temporary differences	96	(44)
Arising from changes in tax rates and laws	(8)	5
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	7	9
Total deferred taxation	95	(30)
Tax expense in the income statement	862	121

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018: lower than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The charge for the year can be reconciled to the profit in the income statement as follows:

	2019 £ 000	As restated 2018 £ 000
Profit before tax	4,275	1,497
Corporation tax at standard rate	812	284
Adjustments in respect of prior years	(13)	(186)
Expenses not deductible for tax purposes	71	18
Arising from changes in tax rates	(8)	5
Tax expense for the year	862	121

Certain amounts in the prior year have been restated, please refer to note 27.

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at 19% and not reduce to 17% from 1 April 2020. As substantive enactment is after the balance sheet date, deferred tax balances at 31 December 2019 continue to be recognised at the a rate of 17%. If the amended tax rate had been used, the deferred tax asset would have been £151k higher

13 Dividends

	2019 £ 000	2018 £ 000
Final dividend paid	-	750

A dividend of £1.5m (2018: £0.8m) was declared, approved by the director and paid post year end. The dividend per share was £1.5m (2018: £0.93).

14 Tangible fixed assets

	Leasehold improvements £ 000	Public service and other vehicles £ 000	Plant, equipment and other assets £ 000	Total £ 000
Cost				
At 1 January 2019	1,022	3,701	1,546	6,269
Additions	1,773	630	412	2,815
Disposals	(130)	(1,634)	(174)	(1,938)
At 31 December 2019	2,665	2,697	1,784	7,146
Accumulated depreciation				
At 1 January 2019	738	3,328	1,133	5,199
Charge for the year	105	165	152	422
Disposals	(93)	(1,602)	(23)	(1,718)
At 31 December 2019	750	1,891	1,262	3,903
Carrying amount				
At 31 December 2019	1,915	806	522	3,243
At 31 December 2018	284	373	413	1,070

15 Investments in subsidiaries

Investments in subsidiaries for the year ended 31 December 2019 is £1 (2018: £1).

Details of undertakings

Details of the company's subsidiaries as at 31 December 2019 is as follows:

All shares held are ordinary shares.

Name of undertaking	Registered office	Principal activity	Holding
Abellio Surrey Limited	301 Camberwell New Road, London, SE5 0TF	Provision of passenger bus services in Surrey	100%

15 Investments in subsidiaries (continued)

Post year end an application has been made to the Registrar of Companies for Abellio Surrey Limited to be struck off the Register.

16 Inventories

	2019 £ 000	2018 £ 000
Engineering, spare parts and fuel	371	296

There is no material difference between the balance sheet value of inventories and their replacement cost.

17 Trade receivables

	2019 £ 000	As restated 2018 £ 000
Amounts falling due within one year		
Trade debtors	50	120
Amounts owed by group undertakings	1,507	-
Other debtors	394	153
Deferred tax asset	196	-
Prepayments	235	360
Contract assets	2,984	2,577
	5,366	3,210
Amounts falling due after more than one year		
Deferred tax asset	89	273
Total trade receivables	5,455	3,483

Certain amounts in the prior year have been restated, please refer to note 27.

Amounts due from Abellio London Limited are unsecured, charged at an interest rate of 0.8% (2018: 0.8%), have no fixed date of repayment and are repayable on demand. Amounts owed by all other group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Trade receivables are stated after provisions for expected credit losses of £5,000 (2018: £5,000). Passenger services revenue (see note 5) relates to amounts received from TfL during the year, there is a customer concentration risk given the high proportion of the company's revenue attributable to one customer.

17 Trade receivables (continued)

Deferred tax asset

	2019 £ 000	2018 £ 000
Deferred tax asset at the start of the year	273	243
Deferred tax credited to income statement for the period	(87)	39
Deferred tax charge in income statement for the prior year	(7)	(9)
Recognised on transition to IFRS 16 (note 2)	106	-
Deferred tax asset at the end of the year	285	273

The deferred tax asset comprises:

	2019 £ 000	2018 £ 000
Short term timing differences	94	127
Accelerated capital allowances	102	146
IFRS 16 transition	89	-
Deferred tax asset at the end of the year	285	273

Based on the current and forecasted future taxable profits the deferred tax asset is deemed to be recoverable.

Short term timing differences and Accelerated capital allowances are expected to be recovered within one year and are included in current assets. The deferred tax asset recognised on transition to IFRS 16 is expected to be recovered over the weighted average remaining life of leases on transition of 6 years.

18 Trade and other payables

	Note	2019 £ 000	(As restated) 2018 £ 000
Trade creditors		894	925
Amounts due to group undertakings		1,165	6,315
Accruals		2,778	2,375
Contract liabilities		549	-
Provisions	19	475	-
		5,861	9,615

Amounts due to Abellio London Limited are unsecured, charged at an interest rate of 0.8% (2018: 0.8%), have no fixed date of repayment and are repayable on demand. Amounts due to all other group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19 Provisions for liabilities and charges

	2019 £ 000	2018 £ 000
Insurance claims	1,460	997

	2019 £ 000	2018 £ 000
Current	475	-
Non-current	985	997

	Insurance claims £ 000	Total £ 000
At 1 January 2019	997	997
Additional provision in the year	1,237	1,237
Payments in the year	(774)	(774)
At 31 December 2019	1,460	1,460

The nature of the above provisions are described in the accounting policies (note 3). The utilisation of the insurance claims provision is anticipated within five years of the balance sheet date. The amount of reimbursement from our insurers against this provision is £nil (2018: £nil).

20 Right-of-use assets

	Leasehold property £ 000	Public service and other vehicles £ 000	Total £ 000
Cost			
At 1 January 2019 (note 2)	3,843	8,142	11,985
Additions	11,537	423	11,960
Disposals	-	(580)	(580)
At 31 December 2019	15,380	7,985	23,365
Accumulated depreciation			
At 1 January 2019 (note 2)	1,825	4,050	5,875
Charge for the year	500	2,033	2,533
Eliminated on disposal	-	(310)	(310)
At 31 December 2019	2,325	5,773	8,098
Carrying amount			
At 31 December 2019	13,055	2,212	15,267
At 31 December 2018	-	-	-

20 Right-of-use assets (continued)

	2019 £ 000
Amounts recognised in profit and loss account	
Depreciation expense on right-of-use assets	2,533
Interest expense on lease liabilities	366
	2,899

There are no extension or termination options on the lease.

21 Lease liabilities

	2019 £ 000
Maturity analysis:	
Year 1	1,791
Year 2	1,444
Year 3	732
Year 4	527
Year 5	547
Onwards	10,710
	15,751
Less: unearned interest	-
	15,751
Analysed as:	
Non-current	13,960
Current	1,791
	15,751

The company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored by management and the immediate parent, Abellio Transport Holdings Limited.

Movement in lease liability during the year

	2019 £ 000
Liability recognised at 1 January 2019 on transition to IFRS 16	6,383
Additions during the year	11,800
Terminations made during the year	(286)
Payments made during the year	(2,512)
Interest expense	366
Balance as at 31 December 2019	15,751

22 Equity

Called-up share capital

Authorised shares

	2019 No. 000	2019 £ 000	2018 No. 000	2018 £ 000
Ordinary shares of £1 each	20,000	20,000	20,000	20,000

Allotted, called up and fully paid shares

	2019 No.	2019 £	2018 No. 000	2018 £ 000
Ordinary share of £1 each	1	1	805	805

The company has one ordinary class of shares which carry no right to fixed income.

On 22 August 2019 the company's members passed a resolution to enter into a capital reduction in accordance with the provisions of the Companies Act 2006. As a result the company's ordinary share capital of £805,000 was reduced to £1 and distributable reserves created.

The company's other reserves are as follows:

Retained earnings

The retained earnings account represents cumulative profits or losses, net of dividends paid and other adjustments.

23 Pension schemes

The total contribution to defined contribution pension schemes in the year was £566,000 (2018: £420,000). There were no outstanding contributions payable to the scheme at 31 December 2019 (2018: £nil).

24 Related party transactions

As 100% of the company's voting rights are controlled within the company headed by N.V. Nederlandse Spoorwegen, the company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the company (or investees of the company qualifying as related parties). The consolidated financial statements of N.V. Nederlandse Spoorwegen, within which this company is included, can be obtained from the address given in note 26.

25 Events after the balance sheet date

On 11 March 2020, the World Health Organisation ('WHO') declared COVID-19 as a pandemic, affecting multiple countries including the UK. The board has considered the impact of this event on future operating performance of the company and the uncertainties that this event may create. The current situation continues to be closely monitored by the board and appropriate actions taken in order to mitigate, as far as possible, the impact of the pandemic on the company.

25 Events after the balance sheet date (continued)

The directors have considered if any adjustments are required to the amounts reported in the financial statements. However, it has been concluded that this is a non-adjusting subsequent event, given the company's year-end of 31 December 2019.

A dividend of £1.5m was declared, approved by the directors and paid post year end. The dividend per share was £1.5m.

26 Ultimate parent undertaking

The company's immediate holding company is Abellio Transport Holdings Ltd.

The smallest group in which the results of the company are consolidated is that headed by Abellio Transport Holding B.V. The consolidated financial statements of this group are available to the public and may be obtained by writing to Laan van Puntenburg 100, 3511 ER, Utrecht, The Netherlands.

The largest group in which the results of the company are consolidated is that headed by N.V. Nederlandse Spoorwegen, which is the company's ultimate controlling party. The consolidated financial statements of this group are available to the public and may be obtained by writing to Laan van Puntenburg 100, 3511 ER, Utrecht, The Netherlands.

27 Prior year restatement

The following tables show the restated prior year comparative figures for the financial year ended 31 December 2018. This restatement reflects an error in the allocation of revenue between Abellio London Limited and Abellio West London Limited (both 100% owned subsidiaries of Abellio Transport Holdings Limited) in the years ended 31 December 2018 and 31 December 2017. It also reflects an update to the methodology of calculating revenue in the year ended 31 December 2017.

The impact on the financial statements is set out below:

27 Prior year restatement (continued)

Balance sheet at 01 January 2018

	2017 result as reported	2017 (restatement)	2017 adjusted result
	£000	£000	£000
Non-current assets			
Tangible fixed assets	1,253	-	1,253
Investment in subsidiaries	-	-	-
Right-of-use assets	-	-	-
	1,253	-	1,253
Current assets			
Inventories	299	-	299
Trade receivables	7,723	(1,102)	6,621
Income tax asset	-	-	-
Cash at bank and in hand	4,424	-	4,424
	12,446	(1,102)	11,344
Current liabilities			
Trade payables	(11,625)	940	(10,685)
Income tax liability	(277)	-	(277)
Lease liabilities	-	-	-
	(11,902)	940	(10,962)
Net current (liabilities)/assets	544	(162)	382
Total assets less current liabilities	1,797	(162)	1,635
Non-current liabilities			
Lease liabilities	-	-	-
Provision for liabilities	(766)	-	(766)
Net assets	1,031	(162)	869
Equity			
Called-up share capital	805	-	805
Retained earnings	226	(162)	64
Total equity	1,031	(162)	869

27 Prior year restatement (continued)

Balance sheet at 01 January 2018 - notes

	2017 result as reported	2017 (restatement)	2017 adjusted result
	£000	£000	£000
Current assets			
Contract assets	6,762	(1,102)	5,660
	6,762	(1,102)	5,660
Current liabilities			
Amounts due to group undertakings	(5,362)	1,116	(4,246)
Contract liabilities	(3,539)	(176)	(3,715)
	(8,901)	941	(7,961)

27 Prior year restatement (continued)

Balance sheet at 31 December 2018

	2018 result as reported	2018 (restatement)	2018 adjusted result
	£000	£000	£000
Non-current assets			
Tangible fixed assets	1,070	-	1,070
Investment in subsidiaries	-	-	-
Right-of-use assets	-	-	-
	1,070	-	1,070
Current assets			
Inventories	296	-	296
Trade receivables	5,098	(1,615)	3,483
Cash at bank and in hand	7,275	-	7,275
	12,669	(1,615)	11,054
Current liabilities			
Trade payables	(10,795)	1,180	(9,615)
Income tax liability	(17)	-	(17)
Lease liabilities	-	-	-
	(10,812)	1,180	(9,632)
Net current (liabilities)/assets	1,857	(435)	1,422
Total assets less current liabilities	2,927	(435)	2,492
Non-current liabilities			
Lease liabilities	-	-	-
Provision for liabilities	(997)	-	(997)
Net assets	1,930	(435)	1,495
Equity			
Called-up share capital	805	-	805
Retained earnings	1,125	(435)	690
Total equity	1,930	(435)	1,495

Abellio West London Limited

Notes to the financial statements (continued)
For the year ended 31 December 2019

27 Prior year restatement (continued)

Balance sheet at 31 December 2018 - notes

	2018 result as reported	2018 (restatement)	2018 adjusted result
	£000	£000	£000
Current assets			
Contract assets	4,192	(1,615)	2,577
	4,192	(1,615)	2,577
Current liabilities			
Amounts due to group undertakings	(7,495)	1,180	(6,315)
	(7,495)	1,180	(6,315)

Income statement at 31 December 2018

	2018 result as reported	2018 (restatement)	2018 adjusted result
	£000	£000	£000
Revenue	48,572	(337)	48,235
Cost of sales	(44,846)	-	(44,846)
Gross profit	3,726	(337)	3,389
Administrative expenses	(1,919)	-	(1,919)
Operating profit	1,807	(337)	1,470
Interest receivable and similar income	27	-	27
Interest payable and similar charges	-	-	-
Profit before taxation	1,834	(337)	1,497
Taxation	(185)	64	(121)
Profit for the financial year	1,649	(273)	1,376