

Registration number: 00689260

Abellio West London Limited

Annual report and audited financial statements

For the year ended 31 December 2021



Abellio West London Limited

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Abellio West London Limited

Company information

Directors	D D G Booth A T Pilbeam J W Eardley B Avery
Company secretary	Brodies Secretarial Services Limited Capital Square 58 Morrison Street Edinburgh EH3 8BP
Registered office	301 Camberwell New Road London SE5 0TF
Bankers	HSBC Bank PLC 8 Canada Square London E14 5HQ
Auditor	Ernst & Young LLP 2 St. Peter's Square Manchester M2 3EY

Abellio West London Limited

Strategic report For the year ended 31 December 2021

The directors present their Strategic report for the year ended 31 December 2021.

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. The lease on the Hayes depot expired during the year and a new depot was in the process of being built at 31 December 2021, with construction completed in April 2022.

The depots are leased, apart from the Hayes depot, 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 £3.1m compares to £5.1m in 2020. 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.

The impact of the COVID-19 in the UK has been significant and unprecedented. On 23 March 2020, the UK Government introduced widespread social distancing and lockdown measures for the UK and instructed people to not use public transport unless they were key workers, with subsequent lockdowns occurring in November 2020 and January 2021. As a consequence, there was a significant reduction in public transport usage, resulting in the company operating a reduced service during the first lock down in April to June 2020. The company resumed close to full service from July 2020, and this continued to be the case throughout 2021. Discussions were held with TfL with respect to a contractual variation which saw Abellio and other operators "no better or worse off" as a result of COVID-19 and the reduction in service levels during 2020.

Abellio West London Limited

Strategic report (continued) For the year ended 31 December 2021

Business review and results (continued)

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.

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 extended five, and lost four routes. Looking forward, the business continues to bid for new contracts depending on available capacity.

During the year, the company delivered good performance when compared to other London operators in the TfL service performance league table for excess waiting time (EWT) on high frequency routes, finishing 12th out of 19 operators. New initiatives are underway to use live performance data in the control room and make use of historic performance data to best manage individuals in the team, these are aimed at moving EWT into the top third of the performance table in 2022.

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 44.4 RTC per million kilometres (2020: 41.7 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	2021	2020	Change
Revenue	£'000	69,250	68,366	884
Operating profit for the year	£'000	3,105	5,075	(1,970)
Equity	£'000	6,027	6,650	(623)
Mileage operated	Million	13.12	12.94	0.18
Average employees	Number	929	953	(24)
Bus fleet at year end	Number	273	323	(50)

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.
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.

Abellio West London Limited

Strategic report (continued)

For the year ended 31 December 2021

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. COVID-19: the company continues to work closely with staff and TfL in order to monitor and limit the potential impact of the COVID-19.

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. There are no expected changes to business operations in the short term.

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.

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 stakeholders' 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; and
- 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.

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.

Abellio West London Limited

Strategic report (continued) For the year ended 31 December 2021


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 of running electric vehicles across the network. During the year, the business maintained regular dialogue with TfL in order to support the safe and effective running of buses that resulted in changes to a significant number of processes aimed at addressing the multitude of challenges presented by the COVID-19 pandemic.

The senior management team engage with the Traffic Commissioner, who is responsible for the licensing and regulation of the buses. The company maintained DVSA Earned Recognition throughout the year.

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 29 September 2022 and signed on its behalf by:


.....
B Avery
Director

Abellio West London Limited

Directors' report

For the year ended 31 December 2021

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 2021.

Financial results and dividend

Financial results for the year are shown on page 17. Revenue in the year was £69.3m compared to £68.4m in 2020. The profit for the year after taxation amounted to £1.9m compared to £3.8m in 2020. The directors approved and made payment of a dividend at £2.5m (2020: £1.5m) per share amounting to a total dividend of £2.5m in 2021 (2020: £1.5m).

Health and safety

The company actively promotes on-road and in-depot safety. The company's fleet is low-floor, easy-access with disabled access ramps.

The company maintains regular contact with the local police and 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.

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.

Energy and Carbon Reporting

We have reported on all sources of carbon emissions and energy usage required under the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 as amended.

	Unit	Amount 2021	Amount 2020
Emissions from activities which the company owns or controls, including the combustion of fuel and operation of facilities (Scope 1)	Tonnes of CO2e	16,882	16,476
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2)	Tonnes of CO2e	419	416
Total gross Scope 1 and Scope 2	Tonnes of CO2e	17,301	16,892
Energy consumption used to calculate emissions	Kwh – Gas and Electricity	1,975,239	1,785,947
	Litres - diesel	6,719,481	6,471,171
Tonnes of CO2e per £m revenue	Tonnes of CO2e	0.25	0.25

All emissions arose in the UK.

As the company operates a fleet of mainly diesel buses, the majority of emissions are as a result of this. The company also operates three depots which utilise electricity and gas.

Abellio West London Limited

Directors' report (continued) For the year ended 31 December 2021

Energy and Carbon Reporting (continued)

Emissions resulting from the operation of buses (Scope 1) have been calculated based on litres of fuel used multiplied by the relevant conversion factor. Emissions resulting from the operation of depots (Scope 2) have been calculated based on electricity and gas usage multiplied by the relevant conversion factor. The relevant conversion factors used for the calculations are those advised by the Department for Business, Energy and Industrial Strategy.

During 2021 management have taken a number of steps to improve energy efficiency. These include:

- Continued replacement of current lighting with more energy efficient LED lighting.
- Implementation of building management systems for heating and cooling improving energy efficiency.
- Improved energy efficiency of vehicles through re-grooving of tyres.
- We undertake specific training with our own staff which will, by design, seek to ensure behaviours are correct and reflect any revised requirements for energy efficiency. This includes training of sub-contracted staff.

In addition, the company will be converting the fleet to Electric Vehicles in line with the Mayor of London's environmental strategy, by 2030. The routes are converted subject to TfL's tendering programme.

Employees

The company launched an in-house Driver Apprenticeship Scheme during 2019. 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.

Abellio West London Limited

Directors' report (continued) **For the year ended 31 December 2021**

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

A T Pilbeam

A R Wilson (resigned 25 October 2021)

A G Worboys (resigned 11 August 2022)

J W Eardley (appointed 25 October 2021)

The following Director was appointed after the year end:

B Avery (appointed 22 August 2022)

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.

At 31 December 2021 the company is exposed to an interest rate risk through bank borrowings at variable interest rates. Below illustrates the sensitivity of profit and loss and equity following a reasonable change in the base rate of 2%. This change is considered reasonable based on current market conditions.

	Profit for the year	Equity
	£000	£000
Increase of 2%	(20)	(20)

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.

Abellio West London Limited

Directors' report (continued) For the year ended 31 December 2021

COVID-19 (continued)

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, this has continued to be the case throughout 2021. Discussions were held with TfL with respect to a contractual variation which saw Abellio and other operators “no better or worse off” as a result of COVID-19.

Further consideration of the impact on the company can be found in note 3.

Future developments

The directors are 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. There are no expected changes to business operations in the short term.

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, covering a period to 31 December 2023.

As at 31 December 2021, the company has net current assets of £0.0m (2020: £3.1m), net assets of £6.0m (2020: £6.7m) and a cash at bank balance of £3.4m (2020: £4.3m).

As part of this going concern review, the directors have analysed cashflow forecasts covering a period to 31 December 2023 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. The company has continued to trade profitably throughout 2022 and generate cash from operations.
- Macroeconomic factors. Given the nature of the company's business and contracts, the general economic slowdown which has occurred as a result of the COVID-19 pandemic is not considered to have any significant adverse impact on the business in the short term, i.e. the period being considered in this going concern assessment. The current inflationary environment is being closely monitored and the impact is being mitigated as far as possible.

The directors have noted that on 30 August 2022, Transport for London (TfL) announced that an agreement had been reached with the Government which extended its financial support to TfL to 31 March 2024. Whilst this funding is in place, there is still uncertainty over the long-term plans for the provision of bus transport services by TfL.

Abellio West London Limited

Directors' report (continued) For the year ended 31 December 2021

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 with through the current practice 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. This is a material uncertainty which casts significant doubt upon the company's ability to continue as a going concern. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Abellio London Limited and Abellio West London Limited are entities under common control and trade as a combined business, being "Abellio London". Given the fact that the Directors manage the cash flows of the combined business, a reciprocal letter of financial support is in place between the two entities. The Board has therefore obtained written confirmation of financial support from Abellio London Limited for a period up to 31 December 2023. The Directors are satisfied that the combined businesses have adequate resources to continue in operational existence for the foreseeable future.

As a result of the financial forecasts prepared, albeit with regard to the material uncertainty to which the company is exposed to with regards to TfL noted above, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the period to 31 December 2023. The directors have therefore prepared the financial statements on a going concern basis.

Accordingly, they continue to adopt the going concern basis in preparing these financial statements and in preparing the financial statements they do not include any adjustments that would be required to be made if they were prepared on a basis other than going concern.

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

Subsequent to the balance sheet date, on 23 February 2022, capital contributions were made by Abellio Transport Holdings Ltd of £2.5m.

Statement of disclosure to auditor

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

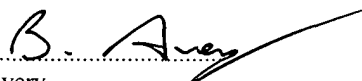
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's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

Abellio West London Limited

Directors' report (continued)
For the year ended 31 December 2021

Approved by the Board on 29 September 2022 and signed on its behalf by:


.....
B Avery
Director

Abellio West London Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- in respect of the financial statements, state whether applicable UK Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis 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 company 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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 2021 which comprise the Income Statement, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 26, 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 2021 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. 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 note 3 of the financial statements, which indicates that there is an uncertainty over the long-term plans for the provision of bus transport services by TfL, the company's key customer, which may impact the company's planned future activities.

As stated in note 3, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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)

Other information (continued)

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 course of 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 themselves. 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 12, 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.

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

Auditor's responsibilities (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including the health and safety, anti-bribery and corruption regulations and GDPR.
- We understood how Abellio West London Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through reading the minutes of board meetings and through inspection of any relevant correspondence with the authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying controls which are in place at the entity level and whether the design of those controls is sufficient for the prevention and detection of fraud, utilising internal and external information to perform our fraud risk assessment. We considered the risk of fraud through management override and considered the design and implementation of controls at the financial statement level to prevent this, as well as incorporating data analytics across manual journal entries into our audit approach, which was designed to provide reasonable assurance that the financial statements were free from material fraud and error. We also assumed revenue to be a fraud risk, specifically as a result of year end cut off and any manual journals posted at the year end.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business and enquiries of internal audit. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with the requirements of the relevant accounting standards and UK legislation.

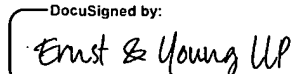
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

DocuSigned by:



A376997A86654EE

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

Date: 29 September 2022

Abellio West London Limited

Income statement

For the year ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Revenue	5	69,250	68,366
Cost of sales		<u>(59,346)</u>	<u>(58,090)</u>
Gross profit		9,904	10,276
Administrative expenses		(7,182)	(6,066)
Other operating income	6	<u>383</u>	<u>865</u>
Operating profit		3,105	5,075
Interest receivable and similar income	7	23	37
Interest payable and similar charges	8	<u>(524)</u>	<u>(526)</u>
Profit before taxation	10	2,604	4,586
Taxation	12	<u>(718)</u>	<u>(827)</u>
Profit for the financial year		<u><u>1,886</u></u>	<u><u>3,759</u></u>

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 £1.9m (2020: £3.8m).

The notes on pages 20 to 40 form an integral part of these financial statements.

Abellio West London Limited

Balance sheet As at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Tangible fixed assets	14	8,839	2,932
Right-of-use assets	20	<u>16,810</u>	<u>16,245</u>
		<u>25,649</u>	<u>19,177</u>
Current assets			
Inventories	15	379	353
Trade receivables	16	5,679	8,148
Cash at bank and in hand		<u>3,444</u>	<u>4,317</u>
		<u>9,502</u>	<u>12,818</u>
Current liabilities			
Trade payables	17	(6,842)	(7,555)
Loans and borrowings	18	(630)	-
Lease liabilities	21	<u>(2,030)</u>	<u>(2,141)</u>
		<u>(9,502)</u>	<u>(9,696)</u>
Net current assets		<u>-</u>	<u>3,122</u>
Total assets less current liabilities		<u>25,649</u>	<u>22,299</u>
Non-current liabilities			
Loans and borrowings	18	(2,280)	-
Lease liabilities	21	(15,393)	(14,658)
Provisions for liabilities	19	<u>(1,949)</u>	<u>(991)</u>
Net assets		<u>6,027</u>	<u>6,650</u>
Equity			
Called-up share capital	22	-	-
Retained earnings	22	<u>6,027</u>	<u>6,650</u>
Total equity		<u>6,027</u>	<u>6,650</u>

The financial statements of Abellio West London Limited (registration number: 00689260) were approved by the Board of Directors and authorised for issue on 29 September 2022.

They were signed on its behalf by:



B Avery
Director

The notes on pages 20 to 40 form an integral part of these financial statements.

Abellio West London Limited

**Statement of changes in equity
For the year ended 31 December 2021**

	Note	Called-up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020		-	4,391	4,391
Profit for the financial year		-	3,759	3,759
Total comprehensive income for the year		-	3,759	3,759
Dividends	13	-	(1,500)	(1,500)
At 31 December 2020		-	6,650	6,650
	Note	Called-up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021		-	6,650	6,650
Profit for the financial year		-	1,886	1,886
Total comprehensive income for the year		-	1,886	1,886
Dividends	13	-	(2,509)	(2,509)
At 31 December 2021		-	6,027	6,027

The notes on pages 20 to 40 form an integral part of these financial statements.

Abellio West London Limited

Notes to the financial statements For the year ended 31 December 2021

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 29 September 2022.

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 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- COVID-19 - Related Rent Concessions (Amendment to IFRS 16);
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 16 - Property, Plant and Equipment-Proceeds before Intended Use
- Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

Abellio West London Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

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.

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.
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers; and
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

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.

Abellio West London Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

3 Accounting policies (continued)

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, covering a period to 31 December 2023.

As at 31 December 2021, the company has net current assets of £0.0m (2020: £3.1m), net assets of £6.0m (2020: £6.7m) and a cash at bank balance of £3.4m (2020: £4.3m).

As part of this going concern review, the directors have analysed cashflow forecasts covering a period to 31 December 2023 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. The company has continued to trade profitably throughout 2022 and generate cash from operations.
- Macroeconomic factors. Given the nature of the company's business and contracts, the general economic slowdown which has occurred as a result of the COVID-19 pandemic is not considered to have any significant adverse impact on the business in the short term, i.e. the period being considered in this going concern assessment. The current inflationary environment is being closely monitored and the impact is being mitigated as far as possible.

The directors have noted that on 30 August 2022, Transport for London (TfL) announced that an agreement had been reached with the Government which extended its financial support to TfL to 31 March 2024. Whilst this funding is in place, there is still uncertainty over the long-term plans for the provision of bus transport services by TfL.

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 with through the current practice 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. This is a material uncertainty which casts significant doubt upon the company's ability to continue as a going concern. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Abellio London Limited and Abellio West London Limited are entities under common control and trade as a combined business, being "Abellio London". Given the fact that the Directors manage the cash flows of the combined business, a reciprocal letter of financial support is in place between the two entities. The Board has therefore obtained written confirmation of financial support from Abellio London Limited for a period up to 31 December 2023. The Directors are satisfied that the combined businesses have adequate resources to continue in operational existence for the foreseeable future.

As a result of the financial forecasts prepared, albeit with regard to the material uncertainty to which the company is exposed to with regards to TfL noted above, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the period to 31 December 2023. The directors have therefore prepared the financial statements on a going concern basis.

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3 Accounting policies (continued)

Going concern (continued)

Accordingly, they continue to adopt the going concern basis in preparing these financial statements and in preparing the financial statements they do not include any adjustments that would be required to be made if they were prepared on a basis other than going concern.

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.

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 enforceable 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.

Abellio West London Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

3 Accounting policies (continued)

Taxation (continued)

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

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.

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 an 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).

Abellio West London Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

3 Accounting policies (continued)

Leases (continued)

Lease liability (continued)

- 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.

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.

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.

Abellio West London Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

3 Accounting policies (continued)

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.

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.

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3 Accounting policies (continued)

Financial assets (continued)

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'.

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.

Derecognition of financial liabilities

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

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) held-for-trading, or (ii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3 Accounting policies (continued)

Financial instruments

Abellio London, consisting of Abellio West London Limited and Abellio London Limited, 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.

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 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
Buildings	40 years

Abellio West London Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

3 Accounting policies (continued)

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.

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.

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

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.

Impairment

The impact of COVID-19 is considered to be an external indicator of impairment, consequently an impairment review has been performed. The impairment review was performed using a value in use calculation by discounting the forecast cashflows of the company into perpetuity. It was determined that the assets of the company are not impaired.

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 when recognising a lease under IFRS 16. 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. An increase in the discount rate of 0.5% applied to leases would decrease the lease liability by £697k. A decrease in the discount rate of 0.5% applied to leases would increase the lease liability by £754k.

5 Revenue

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

	2021 £ 000	2020 £ 000
Passenger services	68,732	67,998
Other bus related activities	518	368
	<u>69,250</u>	<u>68,366</u>

All revenue arises within the United Kingdom.

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

6 Other operating income

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

	2021 £ 000	2020 £ 000
Amounts recharged to group undertakings	<u>383</u>	<u>865</u>

Amounts recharged to group undertakings 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 and amounts received from fellow group companies for claims made in relation to employees of the company under the government job retention scheme.

7 Interest receivable and similar income

	2021 £ 000	2020 £ 000
Bank interest receivable	18	33
Interest receivable from group companies	<u>5</u>	<u>4</u>
	<u>23</u>	<u>37</u>

8 Interest payable and similar charges

	2021 £ 000	2020 £ 000
Interest payable on bank loan	29	-
Interest on lease liabilities	<u>495</u>	<u>526</u>
	<u>524</u>	<u>526</u>

9 Staff costs

The aggregate staff remuneration for the year comprised:

	2021 £ 000	2020 £ 000
Wages and salaries	36,292	34,098
Social security costs	3,735	3,266
Other pension costs	<u>715</u>	<u>671</u>
	<u>40,742</u>	<u>38,035</u>

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.

No directors' have share options provided and no share options have been exercised in the year.

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

9 Staff costs (continued)

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

	2021	2020
	No.	No.
Drivers	820	853
Inspectors	21	22
Engineers	55	43
Other staff	33	35
	<u>929</u>	<u>953</u>

10 Profit before taxation

Profit for the year has been arrived at after charging:

	2021	2020
	£ 000	£ 000
Depreciation on right-of-use assets - property	734	602
Depreciation on right-of-use assets - public service and other vehicles	1,580	1,761
Depreciation on tangible fixed assets	428	489
Loss on disposal of tangible fixed assets	78	129
Impairment of financial assets	3	4
Cost of inventory recognised as expense	<u>7,269</u>	<u>7,374</u>

11 Auditor's remuneration

	2021	2020
	£ 000	£ 000
Fees payable to the company's auditors for the audit of the company's annual accounts	<u>40</u>	<u>16</u>

12 Taxation

Tax charged for the year in the income statement:

	2021	2020
	£ 000	£ 000
Current taxation		
UK corporation tax	432	898
UK corporation tax adjustment to prior periods	<u>277</u>	<u>(170)</u>
	<u>709</u>	<u>728</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	110	37
Arising from changes in tax rates and laws	(43)	(24)
Adjustments in respect of prior years	<u>(58)</u>	<u>86</u>
Total deferred taxation	<u>9</u>	<u>99</u>
Tax expense in the income statement	<u>718</u>	<u>827</u>

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

12 Taxation (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020: lower than the standard rate of corporation tax in the UK) of 19% (2020: 19%).

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

	2021 £ 000	2020 £ 000
Profit before taxation	2,604	4,586
Corporation tax at standard rate	495	871
Adjustments in respect of prior years	219	(84)
Expenses not deductible for tax purposes	57	64
Arising from changes in tax rates	(44)	(24)
Income not taxable	(9)	-
Tax expense for the year	718	827

Factors that may affect future tax charges

The Finance Act 2021 enacted provisions to increase the main rate of UK corporation tax to 25% from 1 April 2023. As substantive enactment was before the balance sheet date, the deferred tax balances as at 31 December 2021 have been remeasured at a rate of 25%.

13 Dividends

	2021 £ 000	2020 £ 000
Final dividend paid	2,509	1,500

A dividend of £2,509,000 (2020: £1,500,000) was declared, approved by the directors and paid during the year. The dividend per share was £2,509,000 (2020: £1,500,000).

No dividends have been paid or declared post year end.

Abellio West London Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

14 Tangible fixed assets

	Leasehold improvements £ 000	Public service and other vehicles £ 000	Plant, equipment and other assets £ 000	Land and buildings £ 000	Total £ 000
Cost					
At 1 January 2020	2,665	2,697	1,784	-	7,146
Additions	130	115	47	-	292
Disposals	-	(9)	-	-	(9)
Assets written off	-	(1,043)	(390)	-	(1,433)
At 31 December 2020	2,795	1,760	1,441	-	5,996
At 1 January 2021	2,795	1,760	1,441	-	5,996
Additions	320	202	617	5,274	6,413
Disposals	(97)	(118)	(123)	-	(338)
At 31 December 2021	3,018	1,844	1,935	5,274	12,071
Accumulated depreciation					
At 1 January 2020	750	1,891	1,262	-	3,903
Charge for year	99	228	162	-	489
Disposals	-	(9)	-	-	(9)
Assets written off	-	(1,023)	(296)	-	(1,319)
At 31 December 2020	849	1,087	1,128	-	3,064
At 1 January 2021	849	1,087	1,128	-	3,064
Charge for the year	100	244	84	-	428
Disposals	(97)	(46)	(117)	-	(260)
At 31 December 2021	852	1,285	1,095	-	3,232
Carrying amount					
At 31 December 2021	2,166	559	840	5,274	8,839
At 31 December 2020	1,946	673	313	-	2,932

15 Inventories

	2021 £ 000	2020 £ 000
Engineering, spare parts and fuel	379	353

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

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

16 Trade receivables

	2021 £ 000	2020 £ 000
Amounts falling due within one year		
Trade debtors	46	42
Amounts owed by group undertakings	1,357	4,244
Other debtors	430	529
Deferred tax asset	105	108
Prepayments	250	255
Contract assets	2,666	2,893
	<u>4,854</u>	<u>8,071</u>
Amounts falling due after more than one year		
Deferred tax asset	75	77
Recoverable insurance claims	750	-
	<u>825</u>	<u>77</u>
Total trade receivables	<u><u>5,679</u></u>	<u><u>8,148</u></u>

Amounts due from Abellio London Limited are unsecured, charged at an interest rate of 0.6% (2020: 0.5%), 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 £12,000 (2020: £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.

Deferred tax asset

	2021 £ 000	2020 £ 000
Deferred tax asset at the start of the year	185	285
Deferred tax credited to income statement for the period	(63)	(14)
Deferred tax charge in income statement for the prior year	58	(86)
Deferred tax asset at the end of the year	<u>180</u>	<u>185</u>

The deferred tax asset comprises:

	2021 £ 000	2020 £ 000
Short term temporary differences	17	15
Accelerated capital allowances	88	93
IFRS 16 transition	75	77
Deferred tax asset at the end of the year	<u>180</u>	<u>185</u>

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.

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

17 Trade and other payables

	Note	2021 £ 000	2020 £ 000
Trade creditors		1,714	1,116
Amounts due to group undertakings		1,462	1,437
Accruals		2,721	4,191
Contract liabilities		196	35
Provisions	19	749	776
		<u>6,842</u>	<u>7,555</u>

Amounts due to Abellio London Limited are unsecured, charged at an interest rate of 0.6% (2020: 0.5%), 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.

18 Loans and borrowings

	2021 £ 000	2020 £ 000
Bank borrowings	<u>2,910</u>	<u>-</u>
	<u>2021 £ 000</u>	<u>2020 £ 000</u>
Less than 1 year	630	-
Between 2 - 5 years	<u>2,280</u>	<u>-</u>
	<u>2,910</u>	<u>-</u>

The loans and borrowings relate to GBP denominated bank loans measured at amortised cost. The loan is secured over property owned by the company. The interest rate on the loan is 1.4% over the base rate.

19 Provisions for liabilities and charges

	2021 £ 000	2020 £ 000
Insurance claims	<u>2,698</u>	<u>1,767</u>
	<u>2021 £ 000</u>	<u>2020 £ 000</u>
Current	749	776
Non-current	<u>1,949</u>	<u>991</u>
	<u>2,698</u>	<u>1,767</u>

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

19 Provisions for liabilities and charges (continued)

	Insurance claims £ 000
At 1 January 2021	1,767
Additional provision in the year	1,680
Payments in the year	(749)
At 31 December 2021	<u>2,698</u>

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.

20 Right-of-use assets

	Leasehold property £ 000	Public service and other vehicles £ 000	Total £ 000
Cost			
At 1 January 2020	15,380	7,985	23,365
Change in asset disposal classification	(580)	580	-
Additions	-	3,348	3,348
Disposals	(7)	-	(7)
At 31 December 2020	<u>14,793</u>	<u>11,913</u>	<u>26,706</u>
At 1 January 2021	14,793	11,913	26,706
Additions	2,696	183	2,879
Disposals	-	(1,829)	(1,829)
At 31 December 2021	<u>17,489</u>	<u>10,267</u>	<u>27,756</u>
Accumulated depreciation			
At 1 January 2020	2,325	5,773	8,098
Change in asset disposal classification	(310)	310	-
Charge for the year	602	1,761	2,363
At 31 December 2020	<u>2,617</u>	<u>7,844</u>	<u>10,461</u>
At 1 January 2021	2,617	7,844	10,461
Charge for the year	734	1,580	2,314
Eliminated on disposal	-	(1,829)	(1,829)
At 31 December 2021	<u>3,351</u>	<u>7,595</u>	<u>10,946</u>
Carrying amount			
At 31 December 2021	<u>14,138</u>	<u>2,672</u>	<u>16,810</u>
At 31 December 2020	<u>12,176</u>	<u>4,069</u>	<u>16,245</u>

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

20 Right-of-use assets (continued)

	2021 £ 000	2020 £ 000
Amounts recognised in profit and loss account		
Depreciation expense on right-of-use assets	2,314	2,363
Interest expense on lease liabilities	495	526
Expense relating to low value assets	3	2
Amount recognised in profit or loss due to COVID-19 rent concessions	-	38
	<u>2,812</u>	<u>2,929</u>

There are no extension or termination options on the lease.

In the prior year the company applied the practical expedient to all COVID-19 rent concessions which meet the conditions set out in paragraph 46B of IFRS 16. The resulting change in the lease payments was taken through the income statement during the prior year.

21 Lease liabilities

	2021 £ 000	2020 £ 000
Maturity analysis:		
Year 1	2,030	2,141
Year 2	1,522	1,404
Year 3	1,467	1,210
Year 4	1,032	1,243
Year 5	625	804
Onwards	<u>10,747</u>	<u>9,997</u>
	17,423	16,799
Less: unearned interest	<u>-</u>	<u>-</u>
	<u>17,423</u>	<u>16,799</u>
Analysed as:		
Non-current	15,393	14,658
Current	<u>2,030</u>	<u>2,141</u>
	<u>17,423</u>	<u>16,799</u>

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.

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

21 Lease liabilities (continued)

Movement in lease liability during the year

	2021 £ 000	2020 £ 000
Liability recognised at 1 January	16,799	15,751
Additions during the year	2,732	3,311
Terminations made during the year	-	(7)
Payments made during the year	(2,603)	(2,782)
Interest expense	495	526
Balance as at 31 December	<u>17,423</u>	<u>16,799</u>

22 Equity

Called-up share capital

Authorised shares

	2021 No. 000	2021 £ 000	2020 No. 000	2020 £ 000
Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>

Allotted, called-up and fully paid shares

	2021 No.	2021 £	2020 No.	2020 £
Ordinary share of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

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

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 £715,000 (2020: £671,000). There were no outstanding contributions payable to the scheme at 31 December 2021 (2020: £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.

Abellio West London Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

25 Events after the balance sheet date

Subsequent to the balance sheet date, on 23 February 2022, capital contributions were made by Abellio Transport Holdings Ltd of £2.5m.

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.