Tower Transit Operations Ltd

Registered number 08314506

Annual Report and Financial Statements - 30 June 2020

Tower Transit Operations Ltd
Corporate directory
30 June 2020

Directors	Mr N E Smith Mr P R Cox Mr A D Muir
Company secretaries	Mr S G Scott Ms J H McDonald
Registered number	08314506
Registered office	Westbourne Park Bus Garage Great Western Road London W9 3NW
Auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor 101 Cambridge Science Park, Milton Road Cambridge CB4 OFY
Bankers	HSBC Bank PLC 6th Floor, 71 Victoria Street London EC4V 4AY Santander UK PLC 2 Triton Square, Regents Place Central London NW1 3AN Lombard North Central Level 1, 280 Bishopsgate London EC2N 4RB Barclays Bank PLC 2 Churchill Place, Canary Wharf London E14 5RB

Tower Transit Operations Ltd
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30 June 2020

General information

The financial statements cover Tower Transit Operations Ltd as an individual entity. The financial statements are presented in Pound sterling, which is Tower Transit Operations Ltd's functional and presentation currency.

The financial statements cover the 15-month period 1 April 2019 to 30 June 2020 to align with the reporting year of the new ultimate parent company SeaLink Travel Group Limited (Australian domiciled). As a result, the amounts represented in the financial statements are not entirely comparable.

Tower Transit Operations Ltd is a company limited by shares, incorporated, and domiciled in the United Kingdom. The company is registered in England and Wales. Its registered office and principal place of business is:

Westbourne Park Bus Garage
Great Western Road
London
W9 3NW

A description of the nature of the Company's operations and its principal activities are included in the strategic report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 15 June 2021. The Directors have the power to amend and reissue the financial statements.

Tower Transit Operations Ltd
Strategic report
30 June 2020

The Directors present their strategic report on the Company for the period ended 30 June 2020.

Principal activities

The principal activity of the company is the operation of buses in the UK.

Business review

We continue to work with our principal customer Transport for London (TfL) to provide quality bus operations at a competitive price, however it is widely acknowledged within the market that increasing congestion is a problem faced by all operators.

COVID-19 aside, the London market remains highly competitive, with margins being reduced as competitors seek higher market share within a shrinking market as TfL rationalises the London bus route network due to budgetary constraints. While the business has lost contracts for two routes, it has retained one and acquired another contract, and significantly both of these routes are to be operated with 37 fully electric double deck vehicles which are due to be put into service during FY2021. This has required investment in charging infrastructure at the Westbourne Park depot and gives Tower Transit capacity for further electrification at this site in due course.

During COVID-19, services in London have been curtailed at the request of TfL to align with the lock down periods. Tower Transit dropped back to approximately 70% of its regular services from March 2020 and returned to 100% by November 2020. Over 100 vulnerable staff members were furloughed, and consequently sick leave has been running at abnormally high levels. TfL and the unions have been supportive throughout this time. Only variable cost savings have been remitted back to TfL during COVID-19, reduced services and additional costs of cleaning and sick leave have continued to be covered by TfL. A grant was paid to cover a part of an employee's regular wages for any time spent on furlough through the Coronavirus Job Retention Scheme. The company received £1.1m in support during the period.

We continue to assist TfL on the delivery of their strategic objectives for cost minimisation and air quality improvement which is likely to result in further electric routes being awarded in the coming years.

We continue to work with Transport for London on reducing vehicle emissions, and we will start operating 37 new zero emission vehicles during the coming year with electric charging technology. We continue to bid for commercial routes using electric vehicles and hybrid technology, demonstrating our commitment to reducing emissions from our vehicles.

On the 16 January 2020 the group of which this company is part was sold to SeaLink Travel Group Limited, a quoted Australian company, which allowed it to become part of a much more significant entity and to diversify risk, and provided a liquidity event for the existing shareholders, some of whom continue to perform senior roles in the expanded group.

Throughout the period the company has enjoyed stable cash flows and has delivered a much-improved financial performance compared to the prior year, with a significantly lower operating loss being sustained. The period end net asset position remains a healthy positive balance and includes a large element of freehold property.

The Company transitioned from FRS 102 to FRS 101 on 1 April 2018. In the transition to FRS 101, the Company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 3.

The financial statements cover the 15-month period 1 April 2019 to 30 June 2020 to align with the reporting year of the new ultimate parent company SeaLink Travel Group Limited (Australian domiciled). As a result, the amounts represented in the financial statements are not entirely comparable.

The business is measured in financial terms, and relevant non-financial metrics are assessed relevant to the individual business units. The 2020 Turnover is not comparable to 2019 due to the longer accounting period.

They are as follows:

KPI	Commentary	2020 15 months	2019
Turnover	We have commenced 3 new routes during the period which will improve the level of contribution from operating activities. We have lost 3 existing contracts that came to an end in June 2020. These combine to achieve a £4.98m net benefit to turnover.	£114.4m	£88.5m
EBITDA	Earnings before interest, tax, depreciation, and amortisation divided by total revenue	9.87%	4.85%
Mileage Delivered	The level of mileage delivered under contracts excluding that lost for congestion reasons	98.9%	99.5%
On Time Running	Used to monitor low frequency routes which is a measure of adherence to the contractual timetable	85.0%	85.9%
Excess waiting time	Used to monitor high frequency routes (typically more than 5 buses an hour) which is the excess over the theoretical average waiting time dictated by the contracted frequency of service	1.31 minutes	1.24 minutes

The financial position of the company has deteriorated between 2019 and 2020 due to expiry of route contracts in excess of route acquisitions. It has not been possible to make proportional savings to the fixed cost elements of the business which has had a significant effect on the absolute EBITDA. The contractual settlement process with TfL remains unchanged and wages and supplier settlement periods have not been impacted. Increasing financial pressure on TfL has led to generally lower contracted services being tendered, which has led to an increase in competitive pressure as operators seek to secure business from the lower level of work available.

The slight reduction in Mileage delivered is due to the more complex operational environment during the COVID-19. Notwithstanding the reduction in service levels required by TfL, delivery of those levels was extremely challenging due to high levels of sickness within our driving workforce.

For both Excess Waiting Time and On Time Running, the underlying performance is similar, however the change of the accounting reference date brings two April to June quarters into the reported calculation. Due to minor seasonal differences in the operating environment between quarters, a factor which is recognised in the TfL targets, there is an arithmetic impact on the statistics.

Principal risks and uncertainties

The principal risks and uncertainties are the safe operation of vehicles on the road and in garages and the degree to which the contracted service levels are adhered to. Key risks are liquidity, customer credit exposure, the price of fuel, foreign currency, and interest rate exposure. The way the Group, of which the Company is a part, manages these risks is set out in more detail below.

The company's solid performance in such a challenging period is testimony of the prudent management of risks employed. The company has adapted its working practices in line with TfL and Government guidelines, but the on-going impact of Covid-19 remains a risk to the future performance of all companies in the United Kingdom.

Covid-19 impact and response

The period has been overshadowed by assisting TfL in managing both their own and the wider industry response to Coronavirus. The endeavours of our management have been well recognised by our stakeholders, with forward planning and thought leadership highlighted as key achievements in London. Furthermore, our relationship with Unite, The Union has been strong as we have developed working practices appropriate to the prevailing conditions. The financial impact after furlough receipts, contractual amendments agreed by TfL with all operators and changes in the operating environment have resulted in minimal financial effect on the business in the reported period.

The Directors have reviewed and assessed uncertainty and risks surrounding the Covid-19 pandemic. Since the Government lockdown was announced on the 23 March 2020, the company's sites have continued to remain operational classed as key worker sites. In conjunction with TfL and other operators, additional safety measures were implemented to enhance the safety of the workforce.

The Directors have also reviewed the group's financial situation and forecasts in particular and its liquidity which has remained strong throughout the pandemic and monitored daily. The Directors are satisfied that the company is a going concern given it is well positioned to continue to trade due to the long-term nature of its contracts with TfL. The impact of the pandemic on our going concern status has been detailed within note 1 of the financial statements.

The company's approach reflects the strength of the business and its corporate social responsibility to employees, communities and wider stakeholders.

Whilst Covid-19 became the dominant feature of the period, there were other challenging market conditions. Increasing pressure on the finances of TfL is promoting an ever more competitive environment with pressure on operators' margins.

Financial risks
The company's activities expose it to a variety of financial risks.

The overall risk management program of the Group, of which the Company is a part, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits. Finance identifies and evaluates financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Exposure to price, credit, liquidity and cash flow risk
The Company is not exposed to any significant price risk from fluctuations in fuel price as this is indexed in the bus contracts and passed through to the customer. We note that this indexation is an immaterial amount.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has a strict code of credit, including obtaining agency credit information, confirming references, and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The company does not hold any collateral.

The Company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. The risk is managed by the strong on-going customer relationships.

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Audit and Risk Committee in accordance with the Group's policy. Investments of surplus funds are only placed with the Company's major bank.

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly Cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The Company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, interchangeable limits, finance leases and intercompany loans. The Company's policy is to ensure that the core funding limits have no less than a 12-month maturity date. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing or alternative lenders.

Section 172(1) statement
When making decisions, the Board of directors of Tower Transit Operations Ltd must 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 (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006).

The Company has a clearly defined strategy (as summarised on page 3 to 5) and the Board takes into account the long-term consequences of its decisions in the context of this. When making decisions the Board considers a number of factors including:

• The translation of the strategy into both longer-term goals and annual plans with regular updates reviewed by the Board *throughout the period.*
• The passenger transport services we provide are a fundamental requirement for the local communities they serve without which it would be difficult for their members to travel to their places of work or for recreation effectively and efficiently. By monitoring our service standard levels, we ensure the performance of our services, so that they can be relied upon for regular commuting.
• Our risk management framework which, as a bus operator, places relationships with wider stakeholders at the centre of our decision making.
• How the Company's objectives influence its employees, customers, suppliers and shareholders together with the Company's wider impact on the environment.

As a Board, our intention is to behave responsibly toward our stakeholders and treat them fairly and equitably, so that they all benefit from the successful delivery of our strategy. The Board of directors has overall responsibility for determining the Company's purpose, values and strategy and for ensuring high standard. The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

The Board considers relationships with, and the engagement of, our stakeholders to be a critical success factor for our business. The Board members also receive feedback from our customers – operators and passengers, employees, and shareholders.

Customers
Customer feedback informs our decisions and how we organise resources to provide an effective and efficient service.

Employees
Our employees are integral to the success of our Company. Their knowledge, skill and experience are vital to ensure passengers are safe and satisfied. We have regular communications with staff at all levels via management briefings and formal communications. Staff surveys are conducted periodically, and staff members have individual appraisals annually. The Board receives regular reports including the results and action plans from our staff surveys. An important decision during the period was to devise our response measures for Covid-19 in consultation with TfL and other operators to provide best in class protection for our staff and passengers.

Shareholders
It is important that as a Company, we provide fair, balanced and understandable information to instil trust and confidence and allow informed investment decisions to be made. The Company engages with its shareholders through formal meetings and informal communications. Management meet regularly with shareholders to present Company results, articulate strategy and update on progress.

A significant decision made during the period was the sale of the business to the listed SeaLink Travel Group Limited which allowed the Company to become part of a much more significant entity, giving greater stability and resilience by diversifying risk, giving greater access to capital and management expertise; it also allowed the existing shareholders an orderly exit route in due course.

Environment
We are focused on reducing our impact on the environment and embedding a sustainable approach into all areas of the business. This has been accelerated during the period with the electrification of Westbourne Park depot in advance of running zero emission electric vehicles, in the light of TfL's published low emissions strategy that will contribute to the Cleaner Air agenda and long-term Climate Change mitigation.

Tower Transit Operations Ltd
Strategic report
30 June 2020

This report is made in accordance with a resolution of Directors.

On behalf of the Directors

Mr P R Cox
Director

15 June 2021

Tower Transit Operations Ltd
Directors' report
30 June 2020

The Directors present their report, together with the financial statements, on the Company for the period ended 30 June 2020.

Review of operations
The loss for the Company after providing for income tax amounted to £741,000 for the period (31 March 2019: restated loss of £6,743,000 for the year).

Dividends
There were no dividends paid, recommended or declared during the current financial period. (2019: £325,000)

Directors
The following persons were Directors of the Company during the whole of the financial period and up to the date of this report, unless otherwise stated:

Mr P R Cox
Mr N E Smith (resigned 16 January 2020)
Mr N E Smith (reappointed 17 June 2020)
Mr A D Muir (appointed 16 January 2020)

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard and applicable law including FRS 101 'Reduced Disclosure Framework'). 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 and profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Accounting Standards 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 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.

Likely future developments
The Board is seeking to continually develop the business both in scale and profitability terms, by the utilisation of current excess capacity, the creation of further capacity within London and also will evaluate appropriate synergistic transport activities both within the UK and internationally.

Environmental impacts
The Board is committed to managing the environmental impact of the Company and is fully aware that by considering the environment in our decision making, particularly around technology adoption, we can benefit both the environment and our performance.

Tower Transit Operations Ltd
Directors' report
30 June 2020

Our key environmental impacts are from running passenger carrying vehicles, ancillary support vehicles and from maintaining our facilities. For the purpose of this report we are disclosing our Scope 1, 2 and 3 emissions in accordance with the Environmental Reporting Guidelines as issued by the Department for Environment, Food & Rural Affairs ("DEFRA") and the Department for Business, Energy & Industrial Strategy ("BEIS").

We are mindful of the environmental impact of our depots and vehicles and have a clear strategy to be energy efficient. Our Environmental Management System ("EMS") is certified to ISO 14001:2015, last audited in 2020, confirming that we meet internationally accepted standards for environmental management. We are committed to:

- Maintaining an internal management structure for environmental issues which includes clearly defined responsibilities;
- Complying with applicable legal and other requirements relating to the organisation;
- Reducing the overall impact of our operations on the environment;
- Monitoring our environmental performance and setting objectives and targets for improvement and;
- Providing appropriate training and awareness programmes for our staff as the need arises.

We train all drivers with Eco driving techniques which are monitored 24/7 by our Drive Green telematics system. Refresher and additional driver training are a by-product of the individual Drive Green periodic driver scores.

In addition, we have well-established waste management initiatives in place to effectively reduce our carbon footprint including management and reduction in waste. We recycle paper and cardboard waste, operate a managed print solution and use registered waste disposal contractors for their strict compliance with relevant waste legislation.

Basis of preparation

Greenhouse gas emissions are calculated in alignment with records used for the production of the Financial Statements for the relevant accounting period. It should be noted that this, our first report, covers the fifteen-month period to 30 June 2020.

We have used emission factors from BEIS's "Greenhouse gas reporting conversion factors 2020". All emissions required under the Companies Act 2006 are included except where stated and include Scope 1 (direct emissions from gas and the combustion of fuel for transport purposes) and Scope 2 (indirect emissions from purchased electricity) and Scope 3 (other indirect emissions from business travel) but have excluded waste from the report given that it is not material to our carbon emissions.

Greenhouse gas emissions and energy consumption	**Unit**	**Period ended 30 June 2020**
Gas	kWh	68,266
Electricity	kWh	1,762,763
Transport Fuel	kWh	1,102,425
Total		**2,933,454**

Mandatory greenhouse gas emissions report by scope	**Unit**	**Period ended 30 June 2020**
Scope 1 Direct GHG emissions		
Combustion of fuel and operation of facilities	tCO2e	29,644.3
Scope 2 Energy indirect emissions		
Combustion of fuel and operation of facilities	tCO2e	407.3
Scope 3 Other indirect emissions		
Business air travel	tCO2e	313.0
Intensity ratio		
Emissions per passenger mile	CO2e	0.31542

Charitable and political donations
During the period the Company made charitable donations of £8,000 (2019: £15,423).

Employee engagement
The Company keeps employees informed of matters affecting them as employees.

Disabled employees
The Company gives full consideration to employment applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Engagement with suppliers, customers and others
Stakeholder relationships are a key source of value that helps ensure the Company's success is sustainable in the long term. The Company seeks to ensure it manages the relationship with its stakeholders through regular communication, including through the Company's annual report to stakeholders.

Indemnity of Directors
The Company has indemnified the Directors of the Company for costs incurred, in their capacity as a Director, for which they may be held personally liable, except where there is a lack of good faith.

Going concern
As at 30 June 2020 the company had net assets of £8,453k, which included net related party loans of £19,545k. The financial statements have been prepared on a going concern basis, SeaLink Travel Group Limited, the ultimate parent of the company, has pledged its continuing support for a minimum of 12 months from the date of issuing these financial statements.

The company meets its day-to-day working capital requirements through operating cash flows and has the support of being part of a much larger group. The group's forecasts and projections, taking account of reasonably possible changes in trading performance as a result of Covid-19, show that the group should be able give support comfortably within its operating cash flows. The Directors have obtained assurances from the ultimate shareholder SeaLink Travel Group Limited, that they will continue to support the company to enable it to continue to trade should it be required and the Directors believe that the group has sufficient headroom in place to meet its current obligations and they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The company, therefore, continues to adopt the going concern basis in preparing its financial statements.

Disclosure of information to the auditors
The Directors confirm that:
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Matters covered in the Strategic Report
As permitted by the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report, have been omitted as they are included in the Strategic Report. The matter relates to management of financial risks.

Matters subsequent to the end of the financial period
Since the period end there has continued to be significant uncertainty regarding the global Covid-19 pandemic. The directors have been closely monitoring the situation with all the stakeholders of the Company and are taking all actions necessary to mitigate the effect of the business in both the short and long term.

No other matters or circumstances have arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Auditor

The auditor Grant Thornton UK LLP continues in office.

This report is made in accordance with a resolution of Directors.

On behalf of the Directors

Mr P R Cox
Director

15 June 2021

Independent auditor's report to the members of Tower Transit Operations Ltd

Opinion

We have audited the financial statements of Tower Transit Operations Ltd (the 'company') for the period from 1 April 2019 to 30 June 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its loss for the period 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.

Emphasis of matter – Westbourne Park Bus Depot valuation

We draw attention to Note 15 of the financial statements, which describes the basis for valuing land and buildings. Management engaged an expert to value their land and buildings portfolio. The expert's valuation included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case. Our opinion is not modified in respect of this matter.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters 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 period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 the directors' report.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, 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 for the audit of the financial statements

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

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

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.

Grant Thornton UK LLP

James Brown LLB ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

Date: 23/6/2021

Tower Transit Operations Ltd
Statement of comprehensive income
For the period ended 30 June 2020

	Note	30 June 2020 15 months £'000	31 March 2019 12 months Restated £'000
Revenue			
Turnover	5	114,366	88,546
Other income	6	2,485	1,604
		116,851	90,150
Cost of sales		(79,273)	(59,970)
Gross profit		37,578	30,180
Expenses			
Administrative expenses before exceptional expenses		(37,824)	(30,075)
Exceptional administrative expenses	7	(261)	(5,246)
Operating loss		(507)	(5,141)
Interest receivable and similar income	11	73	87
Interest payable and similar expenses	12	(1,954)	(1,614)
Loss before income tax (expense)/benefit		(2,388)	(6,668)
Income tax (expense)/benefit	13	194	(75)
Loss after income tax (expense)/benefit for the period attributable to the owners of Tower Transit Operations Ltd	30	(2,194)	(6,743)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax		1,453	-
Other comprehensive income for the period, net of tax		1,453	-
Total comprehensive income for the period attributable to the owners of Tower Transit Operations Ltd		(741)	(6,743)

Refer to note 3 for detailed information on Transition to FRS 101, IFRS 16 and prior year adjustment (restatement of comparatives).

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Tower Transit Operations Ltd
Statement of financial position
As at 30 June 2020

	Note	30 June 2020 15 months £'000	31 March 2019 Restated £'000
Fixed assets			
Intangible assets	14	2	8
Property, plant and equipment	15	20,900	19,975
Right-of-use assets	16	39,312	46,908
Total fixed assets		60,214	66,891
Current assets			
Inventories	17	453	478
Trade and other receivables - amounts falling due within one year	18	5,728	4,335
Prepayments and accrued income	19	1,689	645
Cash and cash equivalents	20	5,039	636
Total current assets		12,909	6,094
Current liabilities			
Trade and other payables - amounts falling due within one year	21	(24,142)	(19,915)
Borrowings	22	-	(1,927)
Lease liabilities	23	(5,095)	(7,530)
Accruals and deferred income	25	(8,170)	(3,991)
Total current liabilities		(37,407)	(33,363)
Net current liabilities		(24,498)	(27,269)
Total assets less current liabilities		35,716	39,622
Non-current liabilities			
Lease liabilities	26	(19,933)	(24,021)
Total non-current liabilities		(19,933)	(24,021)
Net assets before deferred tax and provisions for liabilities		15,783	15,601
Provisions for liabilities	24	(5,450)	(4,632)
Deferred tax	27	(1,880)	(2,074)
Net assets		8,453	8,895
Equity			
Reserves	29	12,495	10,743
Accumulated losses	30	(4,042)	(1,848)
Total equity		8,453	8,895

Refer to note 3 for detailed information on Transition to FRS 101, IFRS 16 and prior year adjustment (restatement of comparatives).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr P R Cox
Director

15 June 2021

The above statement of financial position should be read in conjunction with the accompanying notes

Tower Transit Operations Ltd
Statement of changes in equity
For the period ended 30 June 2020

	Share capital £'000	Capital Contribution Reserve £'000	Revaluation Surplus Reserves £'000	Retained Profits/ (Accumulated Losses) £'000	Total equity £'000
Balance at 1 April 2018	-	-	17,895	4,720	22,615
Prior period adjustment (note 4)	-	-	(7,202)	500	(6,702)
Balance at 1 April 2018 - restated	-	-	10,693	5,220	15,913
Loss after income tax expense for the year - restated	-	-	-	(6,743)	(6,743)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(6,743)	(6,743)
Adjustment for LTIP (note 4)	-	50	-	-	50
Transactions with owners in their capacity as owners:					
Dividends paid (note 31)	-	-	-	(325)	(325)
Balance at 31 March 2019 - restated	-	50	10,693	(1,848)	8,895

Refer to note 3 for detailed information on Transition to FRS 101, IFRS 16 and prior year adjustment (restatement of comparatives).

	Share Capital £'000	Capital Contribution Reserve £'000	Revaluation Surplus Reserves £'000	Retained Profits/ (Accumulated Losses) £'000	Total equity £'000
Balance at 1 April 2019 - restated	-	50	10,693	(1,848)	8,895
Loss after income tax benefit for the period	-	-	-	(2,194)	(2,194)
Other comprehensive income for the period, net of tax	-	-	1,453	-	1,453
Total comprehensive income for the period	-	-	1,453	(2,194)	(741)
Capital contribution	-	299	-	-	299
Balance at 30 June 2020	-	349	12,146	(4,042)	8,453

The above statement of changes in equity should be read in conjunction with the accompanying notes

Tower Transit Operations Ltd
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted
The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Financial Reporting Council ('FRC') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company has transitioned from FRS 102 to FRS 101 for all periods presented. In the transition to FRS 101, the Company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 3.

As permitted by FRS 101, the Company has taken advantage of all of the disclosure exemptions available to it, including: statement of cash flows, new Accounting Standards not yet mandatory, disaggregation of revenue, reconciliations of contract assets and liabilities, unsatisfied performance obligations, presentation of comparative information for certain assets, impairment of assets, capital risk management, financial instruments, fair value measurement, key management personnel, related party transactions, business combinations and share-based payments.

The immediate parent company is Tower Transit Ltd, which is incorporated in England and Wales. The registered address is Westbourne Park Bus Garage, Great Western Road, London, W9 3NW.

The company's ultimate parent entity is SeaLink Travel Group Limited (incorporated in Australia) and its consolidated financial statements, which the company forms part of, are available from the Australian Stock Exchange.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, the revaluation of freehold land and buildings.

Going Concern
The ultimate parent of the company, SeaLink Travel Group Limited, has pledged its continuing support for a minimum of 12 months from the date of issuing these financial statements. The directors therefore continue to adopt the going concern basis in preparing its financial statements.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Note 1. Significant accounting policies (continued)

Revenue recognition

Revenue recognition is determined according to the requirements of IFRS 15 "Revenue from contracts with customers". All revenue is considered revenue from contracts with customers as defined by IFRS 15. IFRS 15 prescribes a five-step model of accounting for revenue recognition which includes identifying the contract with a customer, identifying the performance obligations, determining the transaction price, allocating the transaction price to the performance obligations and the timing of recognising revenue when or as performance obligations are satisfied.

Contract revenues mainly relate to UK Bus (London) contracts with Transport for London. Revenue receivable from government bodies and others to the Company for operating transport services under contract is recognised in the Statement of Comprehensive Income in the period that the contracted services relate to. In general, the revenue in respect of any particular period can be clearly determined from the contract.

The contract clearly defines the bus routes that the Company are committed to run and the contract will define a fixed price payable to the Company which is subject to immaterial variations such as fuel price indexation. The specific performance obligation is the provision of the service and does not pertain to the numbers of passengers utilising the service. Revenue is recognised on a straight-line basis over the term of the contract as the performance obligations are met evenly over the course of the period.

Payment terms can vary by contract but on presentation of invoice the standard payments terms are typically 30 days credit. The invoicing of the contractual revenue is twice monthly and does not always align to the exact numbers of days fulfilled in the month. Where revenue recognised at the period end is more than amounts invoiced, the Company will recognise an accrued income asset for this difference. Where revenue recognised at the period end is less than amounts invoiced, the Company will recognise a deferred income liability for this difference.

Other income
Revenue that is incidental to the Company's principal activity of providing transport services is reported as other income. Such revenue is recognised as the service is provided, the amount of revenue can be reliably estimated, and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Other income represents advertising income and government grants, as specified below.

Government grants
Grants from government are recognised where there is reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. Government grants relating to costs (or net losses) are deferred and recognised in the income statement over the period necessary to match them with the costs (or net losses) they are intended to compensate.

The Coronavirus Job Retention Scheme "CJRS" (also known as *furlough*) was designed to help employers affected by coronavirus to retain their employees and protect the UK economy. A grant was paid to cover a part of an employee's regular wages for any time spent on furlough through the Coronavirus Job Retention Scheme. The percentage of the wages paid under the scheme varied at different times of the period but was capped at a maximum of 80%. CJRS income is recognised in the income statement as other income in the same period in which the related costs are incurred to the extent there is reasonable certainty that the grant will be received.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax
Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 1. Significant accounting policies (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade and other receivables are amounts due from customers for contractual services performed in the ordinary course of business. Trade and other receivables are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due.

Financial instruments
Financial instruments are comprised of financial assets and financial liabilities, which are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when extinguished.

Financial assets
The Company classifies financial assets into the following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit or loss.

The classification of a financial asset depends on the Company's business model for managing the asset and the contractual cash flow characteristics associated with the asset. Trade receivables that do not contain a significant financing component are initially measured at transaction price. All other financial assets classified as either financial assets measured at amortised cost, or financial assets measured at fair value through other comprehensive income are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset. Financial assets measured at fair value through profit and loss are initially measured at fair value and any transaction costs directly attributable to the acquisition of the financial asset are recognised in the profit and loss. Financial assets measured at amortised cost are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where

Note 1. Significant accounting policies (continued)

the contractual cash flows of the financial asset are renegotiated or otherwise modified the financial asset is recalculated at the present value of the modified contractual cash flows discounted at the financial asset's original effective interest rate. Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit and loss are subsequently measured at fair value. Expected credit loss impairments are recognised in respect of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income immediately on initial recognition of the respective financial asset. Expected credit losses are measured using an expected credit loss model. The expected credit loss model reflects a probability weighted amount derived from a range of possible outcomes that are discounted for the time value of money and based on reasonable and supportable information. Where trade receivables contain a significant financing component the Company applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses. The calculated expected credit loss for amounts owed by group undertakings and amounts owed by associated undertakings is insignificant and no adjustment is therefore made in respect of this.

Financial liabilities
The Company classifies financial liabilities into the following categories:
- financial liabilities measured at amortised cost and
- financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are initially measured at fair value and any transaction costs directly attributable to the issue of the financial liability are recognised in the profit and loss.

Financial liabilities measured at amortised cost are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual cash flows of the financial liability are renegotiated or otherwise modified the financial liability is recalculated at the present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate. Financial liabilities measured at fair value through profit and loss are subsequently measured at fair value.

Impairment of non-financial assets
At each reporting date, the Company reviews the carrying amounts of assets to determine whether there is any indication that they have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the estimate is 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 or cash-generating unit is estimated to be less than the carrying amount, then the carrying amount of the asset or cash generating unit is reduced to the recoverable amount. An impairment loss is recognised as an expense immediately.

Inventories
Inventory on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Tangible fixed assets
Land and buildings (previously Freehold property) are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Other tangible fixed assets are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Tower Transit Operations Ltd
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of tangible fixed assets (excluding land) over their expected useful lives as follows:

Land and buildings	50 years
Plant and equipment	3-15 years
Motor vehicles	3-15 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Leasehold intangible assets (previously Leasehold property) are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. The directors made a judgement that the leasehold asset relating to a right-of-use "ROU" asset effectively represented a prepayment relating to the lease, i.e. the consideration paid on the business combination included an element which was effectively paying for the favourable terms of the lease (a prepayment equal to the difference between market rental and the rental in the lease). As a result, the ROU asset has been adjusted for this amount.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets are initially recognised at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation is calculated on the straight-line method, over an expected useful life of 3 to 5 years.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Note 1. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits
Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Pension
The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has not further payment obligations. The assets of the plan are held separately from the Company in independently administered funds.

Share based payments
The company operates a equity-settled, share-based compensation plan, under which the company receives services from employees as consideration for equity instruments (options) of Tower Transit Group Limited. The awards are granted by Tower Transit Group Limited and the company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the share-based award is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the award granted.

The total expense is recognised over expected award period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the company revises its estimates of the charge for the award based on the degree to which the conditions have been met. The company recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Value-Added Tax ('VAT') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 1. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

Exceptional items
Exceptional items are transactions that fall within ordinary activities of the Company but are presented separately due to their size or incidence.

Rounding of amounts
Amounts in this report have been rounded off to the nearest thousand pounds, or in certain cases, the nearest pound.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Critical accounting estimates and assumptions

Valuation of land and buildings
The Company adopted the valuation carried out by external valuers as the fair value of its land and buildings, Westbourne Park Depot. The valuation considers a range of assumptions and estimates including an appropriate discount rate. The external valuers also make reference to a material uncertainty. See note 15 for more information.

Impairment of tangible fixed assets
The Company assesses impairment of tangible fixed assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Such assessment incorporated a consideration of COVID-19.

Critical judgements in applying the entity's accounting policies

Right-of-use asset
The directors have made a judgement that the leasehold asset relating to a right-of-use "ROU" asset effectively represented a prepayment relating to the lease, i.e. the consideration paid on the business combination included an element which was effectively paying for the favourable terms of the lease (a prepayment equal to the difference between market rental and the rental in the lease). As a result, the ROU asset has been adjusted for £5,843k.

Note 3. Transition to FRS101

Change in accounting framework
The company transitioned from FRS 102 to FRS 101 on 1 April 2018 together with the adoption of IFRS 16 Leases and the impact for each financial statement line item affected is shown below (where there was no change to the line item there is no change shown).

IFRS 16 eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position.

Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities.

Note 3. Transition to FRS 101 (restatement of comparatives) (continued)

Statement of comprehensive income

Extract	**31 March 2019 £'000 Reported**	**£'000 Adjustment**	**31 March 2019 £'000 Restated**
Cost of sales	(67,654)	7,684	(59,970)
Expenses			
Administrative expenses	(22,306)	(7,769)	(30,075)
Operating loss	(5,056)	(85)	(5,141)
Interest payable and similar expenses	(500)	(1,114)	(1,614)
Loss before income tax expense	(5,469)	(1,199)	(6,668)
Income tax expense	(75)	-	(75)
Loss after income tax (expense)/benefit for the period attributable to the owners of Tower Transit Operations Ltd	(5,544)	(1,199)	(6,743)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period attributable to the owners of Tower Transit Operations Ltd	(5,544)	(1,199)	(6,743)

Details of the restatement are shown below split between those related to prior year adjustments and IFRS.

	£'000 Adjustment
Prior year adjustment	
The adjustment to the share based payment charge (refer note 4) resulting in an increase to administrative expenses.	(50)
	(50)
IFRS adjustment	
The reversal of straight-line operating lease expense resulted in a benefit to cost of sales.	7,684
The depreciation charged for the right-of-use assets resulted in an increase to administrative expenses.	(7,719)
The interest expense on the recognised lease liabilities resulted in an increase to interest payable	(1,114)
	(1,149)
Total adjustment	(1,199)

Tower Transit Operations Ltd
Notes to the financial statements
30 June 2020

Note 3. Transition to FRS 101 (restatement of comparatives) (continued)

	31 March 2019 £'000 Reported	£'000 Adjustment	31 March 2019 £'000 Restated
Non-current assets			
Intangibles	8	-	8
Tangible assets	42,745	(22,770)	19,975
Right-of-use assets	-	46,908	46,908
Total non-current assets	42,753	24,138	66,891
Current assets			
Inventories	478	-	478
Trade and other receivables - amounts falling due within one year	5,058	(723)	4,335
Prepayments and accrued income	645	-	645
Cash and cash equivalents	636	-	636
Total current assets	6,817	(723)	6,094
Current liabilities			
Trade and other payables - amounts falling due within one year	(20,502)	587	(19,915)
Borrowings	(1,927)	-	(1,927)
Lease liabilities	-	(7,530)	(7,530)
Accruals and deferred income	(3,991)	-	(3,991)
Total current liabilities	(26,420)	(6,943)	(33,363)
Net current liabilities	(19,603)	(7,666)	(27,269)
Total assets less current liabilities	23,150	16,472	39,622
Non-current liabilities			
Lease liabilities	-	(24,021)	(24,021)
Total non-current liabilities	-	(24,021)	(24,021)
Net assets before deferred tax and provision for liabilities	23,150	(7,549)	15,601
Provision for liabilities	(2,855)	(1,777)	(4,632)
Deferred Tax	(3,549)	1,475	(2,074)
Net Assets	16,746	(7,851)	8,895
Equity			
Issued capital	-	-	-
Reserves	17,895	(7,152)	10,743
Accumulated losses	(1,149)	(699)	(1,848)
Total equity	16,746	(7,851)	8,895

Following the transition to FRS101, there was no impact on 1st April 2018 opening reserves.

The Company has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. The lease liability is initially recognised at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of transition.

Note 3. Transition to FRS 101 (restatement of comparatives) (continued)

	£'000 Adjustment
Prior year adjustment	
Revaluation of Westbourne Park leasehold property including associated deferred tax (note 4)	(7,202)
LTIP adjustment (note 4)	500
Provisions for bus dilapidations (note 4))	(1,777)
	(8,479)
IFRS adjustment	
Decrease to leasehold property assets as a result of reclassification to right-of-use asset	(14,093)
Increase to right-of-use assets as a result of reclassification of all leased assets including dilapidations	46,908
Decrease to prepayments	(723)
Decrease to other payables	87
Increase to current lease liabilities as a result of the creation of right-of-use assets	(7,530)
Increase to non-current lease liabilities as a result of the creation of right-of-use assets	(24,021)
	628
Total adjustments	(7,851)

For those leases previously treated as operating leases or classified as tangible assets (note 4), the right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and dilapidation costs relating to the lease recognised in the statement of financial position immediately before the date of transition. As a result, a prepaid lease payments of £723k and accrued lease payments of £87k were reversed and the total non-current assets increased by £32,815k. Current and non-current lease liabilities increased by £31,551k.

The following practical expedients have been applied at the date of transition to FRS 101:
(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics
(b) elected not to recognise leases where the lease term ends within 12 months of the date of transition to FRS 101. Instead, they have continued to be accounted for as if they were short-term leases accounted for in accordance with paragraph 6 of IFRS 16
(c) elected not to apply the requirements in paragraph D9B to leases for which the underlying asset is of low value (as described in paragraphs B3-B8 of IFRS 16). Instead, they have continued to be accounted for as if they were short-term leases accounted for in accordance with paragraph 6 of IFRS 16
(d) excluded initial direct costs (see paragraph D9E) from the measurement of the right-of-use asset at the date of transition
(e) used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

	30 June 2020 £'000	31 March 2019 £'000
At 30 June 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:		
No later than 1 year	5,884	8,121
Later than 1 year and not later than 5 years	7,274	11,704
Later than 5 years	34,929	35,778
	48,087	55,603

Note 4. Prior period adjustments

In preparing the financial statements for the period ended 30 June 2020, management identified that the long term incentive plan (LTIP) provision had been incorrectly building up in anticipation of an LTIP. As there was no obligation as at 1 April 2018 the provision has been reversed. A group LTIP was implemented during year ended 31 March 2019, however the share based payment charge was not being accurately charged and apportioned between this entity and its parent company, Tower Transit Group Limited. This has been adjusted by way of a prior year adjustment which has resulted in the elimination of a provision of £500k and an increase in the profit and loss account brought forward reserve of £500k. The prior year adjustment has also resulted in an increase in loss for the year ended 31 March 2019 of £50k. For details of the LTIP, please refer to note 36.

In preparing the financial statements for the period ended 30 June 2020, management identified that leasehold property had been incorrectly presented as tangible fixed assets in prior periods when it should have been classified as an intangible asset. Adoption of IFRS 16 means that the leasehold property is now classified as a right-of-use asset. It will therefore not appear within intangible assets as the reclassification has gone directly from tangible fixed assets to right-of-use assets due to adoption of IFRS 16. There is £nil impact on the profit and loss reserve.

In preparing the financial statements for the period ended 30 June 2020, management identified that the fair value of leasehold property had been overstated by £8,677k. The overstatement of the valuation was made in 2016, and therefore impacts the opening reserves. The associated deferred tax liability was consequently overstated by £1,475k. This has been adjusted and corrected by way of a prior year adjustment which has resulted in a net reduction of opening reserves of £7,202k as at 1 April 2018. The prior year adjustment has not impacted the loss incurred for the year ended 31 March 2019.

In preparing the financial statements for the period ended 30 June 2020, management identified the requirement of a provision for bus dilapidation costs of £1,777k. This has been adjusted and corrected by way of a prior year adjustment which has resulted in a reduction of opening reserves of £1,777k as at 1 April 2018. The prior year adjustment has not impacted the loss incurred for the year ended 31 March 2019. On transition to FRS 101, the dilapidation costs were capitalised within ROU assets in compliance with IFRS 16 and an adjustment was made to reverse the £1,777k from opening reserves. This resulted in there being an overall impact of £nil on reserves as at 1 April 2018.

Note 5. Turnover

The whole of the turnover is attributable to the company's principal activity.

All turnover arose within the United Kingdom.

Note 6. Other income

	30 June 2020 15 months £'000	31 March 2019 12 months £'000
Government Grant	1,123	-
Other Income	1,362	1,604
	2,485	1,604

Government grant income relates to the Coronavirus Job Retention Scheme ("CJRS"). The balance of other income relates to advertising income.

Note 7. Exceptional administrative expenses

	30 June 2020 15 months £'000	31 March 2019 12 months £'000
Exceptional administrative expenses	-	5,200
Redundancy	261	46
	261	5,246

During the prior year Tower Transit Group Ltd disposed of a number of subsidiary companies. As part of this, management undertook an exercise to waive intercompany balances and interest, and also incurred professional fees in relation to the disposals, which resulted in the exceptional costs above.

Note 8. Administrative Expenses

	30 June 2020 15 months £'000	31 March 2019 Restated £'000
Loss before income tax includes the following specific expenses:		
Employment benefits expense	12,984	10,185
Materials and consumables	6,300	5,271
Other administrative costs	6,016	5,140
Depreciation		
Freehold improvements	96	90
Leasehold improvements	39	40
Plant and equipment	716	450
Motor vehicles	401	435
Land and buildings right-of-use assets	383	306
Motor vehicles right-of-use assets	10,155	8,086
Total depreciation	11,790	9,407
Amortisation		
Software	6	31
Total depreciation and amortisation	11,796	9,438
Leases		
Short-term lease payments	729	39

The cashflow associated with the short-term leases during the period was £719k (2019: £50k).

Note 9. Average number of employees and employee benefits expense

The average number of employees during the period was as follows:

	30 June 2020	31 March 2019
Drivers and engineers	1,243	1,295
Administrative staff	137	143
Average number of employees	1,380	1,438

The employee benefits expense during the period was as follows:

	30 June 2020 15 months £'000	31 March 2019 Restated £'000
Wages and salaries	71,453	53,170
Social security costs	6,636	5,539
Cost of defined contribution scheme	1,783	1,212
Total employee benefits expense	79,872	59,921

Contributions totalling £56,000 (2019: £90,000) were payable to the defined contribution scheme fund at statement of financial position date.

Note 10. Directors' remuneration

Details of Directors' remuneration is set out below:

	30 June 2020	31 March 2019
Number of Directors accruing benefits under money purchase schemes in respect of qualifying services	-	-

	30 June 2020 15 months £'000	31 March 2019 12 months £'000
Aggregate remuneration in respect of qualifying services	167	317
Aggregate amounts of contributions to defined contribution pension schemes in respect of qualifying services	6	4
Highest paid Director - aggregate remuneration	119	240

Note 11. Interest receivable and similar income

	30 June 2020 15 months £'000	31 March 2019 12 months £'000
Other interest receivable	1	1
Interest receivable from group companies	72	86
	73	87

Note 12. Interest payable and similar expenses

	30 June 2020 15 months £'000	31 March 2019 12 months £'000
Bank interest payable	55	11
Loans from group undertakings	620	489
Interest and finance charges paid/payable on lease liabilities	1,279	1,114
	1,954	1,614

Note 13. Income tax expense/(benefit)

Factors affecting tax charge for the period
The tax assessed for the period is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below.

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Note 13. Income tax expense/(benefit) (continued)

	30 June 2020 15 months £'000	31 March 2019 12 months £'000
Income tax expense/(benefit)		
Deferred tax - origination and reversal of temporary differences	(194)	6
Adjustment recognised for prior periods	-	69
Aggregate income tax expense/(benefit)	(194)	75
Deferred tax included in income tax expense/(benefit) comprises:		
Increase/(decrease) in deferred tax liabilities (note 27)	(194)	6
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax (expense)/benefit	(2,388)	(6,668)
Tax at the statutory tax rate of 19%	(454)	(1,267)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	63	1,189
Impact of tax rate changes on deferred tax	416	1
Fixed asset differences	15	60
Adjustment to brought forward values	(217)	-
Group relief claimed	-	21
Qualifying donations utilised	-	2
	(177)	6
Adjustment recognised for prior periods	-	69
Prior period temporary differences not recognised now recognised	(17)	-
Income tax expense/(benefit)	(194)	75

Factors that may affect future tax charges
Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2019 (on 26 October 2016) and Finance Bill 2017 (on 7 September 2017). On 17 March 2020, the Finance Bill 2019 - 21 was enacted, retaining the UK corporation tax rate at 19%. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

Note 14. Non-current assets - intangibles

	30 June 2020 £'000	31 March 2019 £'000
Software - at cost	427	427
Less: Accumulated amortisation	(425)	(419)
	2	8

Note 14. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	IT Software £'000	Total £'000
Balance at 1 April 2019	8	8
Amortisation expense	(6)	(6)
Balance at 30 June 2020	2	2

Note 15. Non-current assets - tangible assets

	30 June 2020 £'000	31 March 2019 £'000
Land and buildings - at revaluation	19,116	17,903
Less: Accumulated depreciation	(24)	(270)
	19,092	17,633
Plant and equipment - at cost	3,776	3,692
Less: Accumulated depreciation	(3,126)	(2,513)
	650	1,179
Motor vehicles - at cost	2,140	1,810
Less: Accumulated depreciation	(982)	(647)
	1,158	1,163
	20,900	19,975

The directors appointed Avison Young as an independent expert to value Westbourne Park Bus Depot which resulted in a revaluation to £19,116k as at 16 January 2020. The directors have used the independent expert's report to determine the fair value of land and buildings as at the period end. The carrying amount that would have been recognised had the assets been carried under the cost model is £17,663k. The independent expert's valuation included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of land and buildings than would normally be the case. The directors have considered the material valuation uncertainty included in the independent expert's report, and while less certainty and a higher degree of caution needs to be attached to the valuation, the valuation can still be relied upon. The directors therefore consider the valuation included in the independent expert's report to be an accurate reflection of the land and buildings fair value.

The valuation of land and buildings is considered a critical accounting estimate as disclosed within Note 2. The material uncertainty noted above arose a consequence of the outbreak of COVID-19 on 11 March 2020 which has impacted global financial markets and impacted market activity in many sectors. As at the valuation date, it is considered that less weight should be applied to market evidence used for comparison purposes which inform opinions of the value of the land and buildings, Westbourne Park Bus Depot. The comparable market data used in deriving a valuation is considered one of the most sensitive inputs given the nature of the material uncertainty, a macroeconomic event. Whilst all valuations are sensitive to key inputs, it is expected that this uncertainty should decline as the pandemic is controlled and the extent of the impact on the economy understood. A revaluation will be undertaken in the future at an appropriate point. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

Note 15. Non-current assets - tangible assets (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	Freehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Balance at 1 April 2019	17,633	1,179	1,163	19,975
Additions	-	303	396	699
Disposals	-	(116)	-	(116)
Revaluation increments	1,555	-	-	1,555
Depreciation expense	(96)	(716)	(401)	(1,213)
Balance at 30 June 2020	19,092	650	1,158	20,900

Note 16. Non-current assets - right-of-use assets

	30 June 2020 £'000	31 March 2019 £'000
Land and buildings - right-of-use	29,669	29,654
Less: Accumulated depreciation	(727)	(416)
	28,942	29,238
Motor vehicles - right-of-use	28,611	25,756
Less: Accumulated depreciation	(18,241)	(8,086)
	10,370	17,670
	39,312	46,908

Additions to the right-of-use assets during the period were £2,855,000 for land and buildings.

The company leases land and buildings for its bus interchanges under agreements between 67- 99 years with no options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The company also leases motor vehicles (both buses and cars) under agreements between 1 to 4 years.

The company leases office equipment under agreements of less than 1 year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Note 17. Current assets - inventories

	30 June 2020 £'000	31 March 2019 £'000
Fuel at cost	274	329
Spare parts at cost	406	376
Less: Provision for impairment	(227)	(227)
	453	478

Inventory recognised in cost of sales during the period as an expense was £10,898,000 (2019: £9,297,000).

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Note 18. Current assets - trade and other receivables - amounts falling due within one year

	30 June 2020 £'000	31 March 2019 £'000
Trade receivables	3,052	1,962
Other receivables	118	329
Amounts owed by group undertakings	1,715	1,168
Amounts owed by associated undertakings	843	641
Income tax refund due	-	235
	5,728	4,335

Note 19. Current assets – prepayments and accrued income

	30 June 2020 £'000	31 March 2019 £'000
Prepayments vehicles	100	119
Prepayments other	1,589	526
	1,689	645

Note 20. Current assets - cash and cash equivalents

	30 June 2020 £'000	31 March 2019 £'000
Cash on hand	1	2
Cash at bank	5,038	634
	5,039	636

Note 21. Current liabilities - trade and other payables - amounts falling due within one year

	30 June 2020 £'000	31 March 2019 £'000
Trade payables	950	893
Amounts owed to group undertakings	22,103	17,472
Other taxation and social security	1,089	1,539
Other payables	-	11
	24,142	19,915

Amounts owed to group undertakings are unsecured and not subject to specific repayment terms. Interest is charged at arm's length rates on these balances. The Company has received a letter of support from SeaLink Travel Group Limited confirming their continuing financial support. Such support will continue for at least twelve months from the signing of Company's financial statements.

Trade payables comprise amounts outstanding for trade purchases. No interest is charged on the trade payables.

Note 22. Current liabilities - borrowings

	30 June 2020 £'000	31 March 2019 £'000
Bank overdraft	-	1,927

Note 23. Current liabilities - lease liabilities

	30 June 2020 £'000	31 March 2019 £'000
Lease liability - Vehicles	4,877	7,407
Lease liability - Rent	218	123
	5,095	7,530

Note 24. Provision for liabilities

	30 June 2020 £'000	31 March 2019 £'000
Employee benefits	1,557	812
Insurance	1,761	1,650
Tyres	413	393
Lease return costs/bus dilapidations	1,719	1,777
	5,450	4,632

Employee benefits
The employee benefits provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward until the end of the holiday pay year. The provision is measured as the salary cost payable for the period of absence.

Insurance
The insurance provision arises because the Company has adopted a partial self-insurance approach. Catastrophe insurance is held above a deductible limit, below which the Company will settle liabilities arising from motor and personal injury claims. This provision represents the estimated settlement value of the portfolio of open claims which are in the process of resolution.

Tyres
The company leases tyres from a contractor. In the purchase of a vehicle, the tyres are sold to the contractor, and bought back on disposal of the vehicle. The difference between the original proceeds and the average expected repurchase price is released to the Statement of Comprehensive Income over time.

Lease return costs/bus dilapidations
The lease return costs provision relates to leased buses with twin door design which upon return to the lessor, require to be restored to single door design.

Note 24. Current liabilities - provisions (continued)

Movements in provisions
Movements in each class of provision during the current financial period, other than employee benefits, are set out below:

30 June 2020	Insurance £'000	Tyre £'000	Lease return costs £'000
Carrying amount at the start of the period	1,650	393	1,777
Additional provisions recognised	2,097	119	217
Amounts used	(1,986)	(99)	(275)
Carrying amount at the end of the period	1,761	413	1,719

Note 25. Current liabilities – accruals and deferred income

	30 June 2020 £'000	31 March 2019 £'000
Accrued expenses	8,170	3,991

Note 26. Non-current liabilities - lease liabilities

	30 June 2020 £'000	31 March 2019 £'000
Lease liability - Vehicles	4,892	8,759
Lease liability - Rent	15,041	15,262
	19,933	24,021

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Note 27. Non-current liabilities - deferred tax

	30 June 2020 £'000	31 March 2019 £'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accelerated capital allowances	(83)	(92)
Losses and other deductions	(461)	(9)
Temporary differences	(198)	(15)
	(742)	(116)
Amounts recognised in equity:		
Revaluation land and buildings	2,622	2,190
Deferred tax liability	1,880	2,074
Movements:		
Opening balance	2,074	2,068
Charged/(credited) to comprehensive income (note 13)	432	-
Charged/(credited) to comprehensive income (note 13)	(626)	6
Closing balance	1,880	2,074

Note 28. Equity - issued capital

	30 June 2020 Shares	31 March 2019 Shares	30 June 2020 £'000	31 March 2019 £'000
Ordinary shares - fully paid	1	1	-	-

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 29. Equity - reserves

	30 June 2020 £'000	31 March 2019 £'000
Revaluation surplus reserve	12,146	10,693
Capital contribution reserve	349	50
	12,495	10,743

Revaluation surplus reserve
The reserve is used to recognise increments and decrements in the fair value of land and buildings.

Capital contribution reserve
This reserve represents amounts, money or assets, given by its parent company Tower Transit Group Limited. This arose as a consequent of the LTIP (note 36).

Note 30. Equity - accumulated losses

	30 June 2020 £'000	31 March 2019 £'000
Retained profits/(accumulated losses) at the beginning of the financial period/year	(1,848)	5,220
Loss after income tax (expense)/benefit for the period/year	(2,194)	(6,743)
Dividends paid (note 31)	-	(325)
Accumulated losses at the end of the financial period/year	(4,042)	(1,848)

The opening balance as at 1 April 2018 was restated as a result of the LTIP prior year adjustment £500k (refer note 4).

Note 31. Equity - dividends

There were no dividends paid, recommended or declared during the current period (2019: £325,000).

Note 32. Auditor remuneration

During the financial period the following fees were paid or payable for services provided by Grant Thornton UK LLP, the auditor of the Company, and its associates:

	30 June 2020 £'000	31 March 2019 £'000
Audit services		
Audit of the financial statements	88	58
Other services		
Preparation of the tax return	14	6
All other taxation services	2	-
All non-audit services not covered above	9	-
	25	6
	113	64

Note 33. Commitments

	30 June 2020 £'000	31 March 2019 £'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Buses and related infrastructure	16,762	-
Lease commitments – short-term leases		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	37	-

Note 34. Related party transactions

Parent entity
The immediate parent entity is Tower Transit Ltd, which is incorporated in England and Wales. Under FRS 101 paragraph 8(k), the Company is exempt from the requirement to disclose transactions with other members of the group.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 35. Events after the reporting period

Since the period end there has continued to be significant uncertainty regarding the global Covid-19 pandemic. The directors have been closely monitoring the situation with all the stakeholders of the Company and are taking all actions necessary to mitigate the effect of the business in both the short and long term.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 36. Share based payment award

On the 8 October 2018, Tower Transit Group Limited made a share-based payment award to a number of senior staff. The number of C class shares awarded was 113,673. Those shares did not carry dividend rights and their retention was conditional on continuing employment for a given period or sale of the business. The charge recognised in the Statement of Comprehensive Income was £299k during the period (2019: £50k). On 16 January 2020, Tower Transit Group Limited was acquired by SeaLink Travel Group Limited, this event meant that all conditions attached to the shares were satisfied. No further share-based charge will arise.