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TOWER TRANSIT OPERATIONS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

TOWER TRANSIT OPERATIONS LTD

COMPANY INFORMATION

Directors	Mr N E Smith Mr P R Cox Mr A D Muir
Company secretaries	Ms J H McDonald Mr S G Scott
Registered number	08314506
Registered office	Lea Interchange 151 Ruckholt Road Leyton London England E10 5PB
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge Cambridgeshire CB4 0FY
Bankers	HSBC Bank PLC 6th Floor, 71 Victoria Street London EC4V 4AY

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The Directors present their strategic report on the company for the period ended 30 June 2021.

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, and budgetary constraints which TfL are working within is leading to contraction of their network and therefore reduced volume of work available to operators to bid on.

While the business has lost contracts for two routes, acquired another three and it has retained three existing contracts.

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 £2.6m (*2020: £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. We continue to bid for commercial routes using electric vehicles and hybrid technology, demonstrating our commitment to reducing emissions from our vehicles. We have been informed that UKPN has received a grant from the Green Recovery Programme to fund the infrastructure improvements which will enable electrification of the Lea Interchange site on our request.

The business is measured in financial terms, and relevant non-financial metrics are assessed relevant to the individual business units.

They are as follows:

KPI	**Commentary**	**2021 1 year**	**2020 15 months**
Turnover	Contract and other revenue	£71.6m	£114.4m
EBITDA	Earnings before interest, tax, depreciation, and amortisation divided by total revenue.	7.88%	9.87%
Mileage Delivered	The level of mileage delivered under contracts excluding that lost for congestion reasons.	99.6%	98.9%
On Time Running	Used to monitor low frequency routes which is a measure of adherence to the contractual timetable.	83.6%	85.0%
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.	1.28 minutes	1.31 minutes

The financial position of the company has deteriorated between 2020 and 2021 due to expiry of route contracts in excess of route acquisitions. This has led to a reduction in turnover, and as a consequence, contribution to fixed costs. 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 year on year.

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 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 the company'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 2.3 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.

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 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 standards. 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.

Shareholders
It is important that as a company, we provide fair, balanced and understandable information to instill 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.

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 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.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

This report was approved by the board on 17/12/2021 and signed on its behalf.

Mr P R Cox
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report and the financial statements for the year ended 30 June 2021.

Review of operations

The loss for the company after providing for income tax amounted to £3,043,000 *(2020 - loss £741,000)*.

Dividends

There were no dividends paid, recommended or declared during the current financial year *(2020: £Nil)*.

Directors

The directors who served during the year were:

Mr N E Smith
Mr P R Cox
Mr A D Muir

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Company is committed to managing our environmental impact 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.

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.

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), Scope 2 (indirect emissions from purchased electricity) and Scope 3 (other indirect emissions from business travel) but excludes Scope 3 (other indirect emissions from waste) which has been excluded from the report given that they are not material to our carbon emissions.

Greenhouse gas emissions and energy consumption	**Unit**	**Year ended 30 June 2021**	**Period ended 30 June 2020**
Gas	kWh	62,579	68,266
Electricity	kWh	2,153,956	1,762,763
Transport fuel	kWh	643,457	1,102,425
Total		**2,859,992**	**2,933,454**

Mandatory greenhouse gas emissions report by scope	Unit	Year ended 30 June 2021	Period ended 30 June 2020
Scope 1 Direct GHG emissions			
Combustion of fuel and operation of facilities	tCO2e	17,452.1	29,631.8
Scope 2 Energy indirect emissions			
Combustion of fuel and operation of facilities	tCO2e	352.3	419.8
Scope 3 Other indirect emissions			
Business air travel	tCO2e		313.0
Intensity ratio			
Emissions per passenger mile	tCO2e	0.50323*	0.31542

* 2021 figures impacted by lower level of passengers travelling durning Covid lockdown.

Charitable and political donations

During the year the company made charitable donations of £Nil *(2020: £8,000)*.

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

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 Kelsian Group Limited (formerly named SeaLink Travel Group Limited), that they will continue to support the company 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.

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 year

Following the acquisition of the Tower Transit Group in January 2020 by Kelsian Group Ltd (formerly named SeaLink Travel Group Limited) a strategic review of the London based business has been undertaken by the Board.

Tightening margins in this market are best weathered by larger entities enjoying economies of scale, and in order to achieve this, Tower Transit Limited, the parent company of Tower Transit Operation Ltd, has formed a joint venture with RATP Dev Ltd to which the Westbourne Park business within Tower Transit Operations Ltd has been sold, as have the operating entities of RATP Dev Ltd.

Tower Transit Limited now holds 12.5% of the shares in the joint venture.

The Board continue to review opportunities for the remaining business in London.

Disclosure of information to auditor

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.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

This report was approved by the board on 17/12/2021 and signed on its behalf.

Mr P R Cox
Director

GrantThornton

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 year ended 30 June 2021, 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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 year 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.

GrantThornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWER TRANSIT OPERATIONS LTD (CONTINUED)

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, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We enquired of management concerning the company's policies and procedures relating to:
  - The identification, evaluation and compliance with laws and regulations;
  - The detection and response to the risks of fraud; and
  - The establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- The company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur: FRS 101 'Reduced Disclosure Framework' United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), the Companies Act 2006, Health and Safety and Environmental Legislation, Employment Law, and United Kingdom Corporation Tax Legislation.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Potential management bias in determining accounting estimates; and
  - Transactions with related parties.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- *The company's management have not communicated to the audit team any matters of non-compliance with* laws and regulations or fraud and no such matters were identified by the audit team.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates; and
  - understanding of the legal and regulatory requirements specific to the entity including the provisions of the applicable legislation, the regulator's rules and related guidance, including guidance issued by relevant authorities that interprets those rules and the applicable statutory provisions.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWER TRANSIT OPERATIONS LTD (CONTINUED)

Use of our report

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

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: 17/12/2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 12 months £000	*2020 Restated 15 months £000*
Revenue			
Turnover	4	**71,599**	*114,366*
Cost of sales		**(51,635)**	*(79,273)*
Gross profit		**19,964**	*35,093*
Expenses			
Administrative expenses before exceptional expenses		**(25,389)**	*(37,824)*
Exceptional administrative expenses	6	**(438)**	*(261)*
Other operating income	5	**4,391**	*2,485*
Operating loss	7	**(1,472)**	*(507)*
Interest receivable and similar income	11	**41**	*73*
Interest payable and similar expenses	12	**(1,577)**	*(1,954)*
Loss before income tax		**(3,008)**	*(2,388)*
Income tax (expense)/benefit	13	**(35)**	*194*
Loss after income tax (expense)/benefit for the year/period		**(3,043)**	*(2,194)*
Items that will not be reclassified subsequently to profit or loss:			
Gain on the revaluation of land and buildings, net of tax		**-**	*1,453*
		-	*1,453*
Total comprehensive income for the year/period		**(3,043)**	*(741)*

The notes on pages 21 to 45 form part of these financial statements.

TOWER TRANSIT OPERATIONS LTD
REGISTERED NUMBER:08314506

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note		2021 £000		2020 £000
Fixed assets					
Intangible assets	14		**2**		*2*
Tangible assets	15		**20,514**		*20,900*
Right-of-use assets			**50,135**		*39,312*
			70,651		*60,214*
Current assets					
Stocks	17	**512**		*453*	
Debtors: amounts falling due within one year	18	**6,262**		*7,417*	
Cash at bank and in hand	19	**3,375**		*5,039*	
		10,149		*12,909*	
Creditors: amounts falling due within one year	20	**(37,487)**		*(37,407)*	
Net current liabilities			**(27,338)**		*(24,498)*
Total assets less current liabilities			**43,313**		*35,716*
Creditors: amounts falling due after more than one year	21		**(31,253)**		*(19,933)*
			12,060		*15,783*
Provisions for liabilities					
Deferred taxation	23	**(1,915)**		*(1,880)*	
Other provisions	22	**(4,735)**		*(5,450)*	
			(6,650)		*(7,330)*
Net assets			**5,410**		*8,453*
Capital and reserves					
Revaluation reserve	25		**12,146**		*12,146*
Capital redemption reserve	25		**349**		*349*
Profit and loss account	25		**(7,085)**		*(4,042)*
			5,410		*8,453*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17/12/2021

Mr P R Cox
Director

The notes on pages 21 to 45 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Called up share capital	Capital contribution reserve	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2020	-	349	12,146	(4,042)	8,453
Loss after income tax expense for the year	-	-	-	(3,043)	(3,043)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(3,043)	(3,043)
At 30 June 2021	-	349	12,146	(7,085)	5,410

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020

	Called up share capital	Capital contribution reserve	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 April 2019	-	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
At 30 June 2020	-	349	12,146	(4,042)	8,453

The notes on pages 21 to 45 form part of these financial statements.

1. General information

The financial statements cover Tower Transit Operations Ltd as an individual entity.

The financial statements are presented for the year ended 30 June 2021. The prior period covers the 15-month period from 1 April 2019 to 30 June 2020 to align with the reporting year of the new ultimate parent company Kelsian Group Limited (formerly named SeaLink Travel Group Limited), an Australian domiciled entity. 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. Its registered office and principal place of business is:

Lea Interchange
151 Ruckholt Road
Leyton
London
England
E10 5PB

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, except for the revaluation of freehold land and building, unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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 3.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirement of paragraph 24(b) of IFRS 6 Exploration for and Evaluation of Mineral Resources to disclose the operating and investing cash flows arising from the exploration for and evaluation of mineral resources
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Accounting policies (continued)

2.3 Going concern

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 Kelsian Group Limited (formerly named SeaLink Travel Group Limited), that they will continue to support the company 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.

2.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income.

2.5 Revenue

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

2. Accounting policies (continued)

2.5 Revenue (continued)

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.

2.6 Other operating income

Revenue that is incidental to the company's principal activity of providing transport services is reported as other operating 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 operating 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 Statement of Comprehensive Income 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.

2.7 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.

2. Accounting policies (continued)

2.8 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.

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.

2.9 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.

2.10 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.

2. Accounting policies (continued)

2.11 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.

2.12 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 measured at amortised cost

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 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.

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 measured at amortised cost

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.

2. Accounting policies (continued)

2.13 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.

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.15 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.

2.16 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.

2. Accounting policies (continued)

2.16 Tangible fixed assets (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:

Depreciation is provided on the following basis:

Land and buildings	- 50 years
Plant and machinery	- 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.

2.17 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.

2. Accounting policies (continued)

2.18 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.

2.19 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.

2.20 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.

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.

2.21 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.

2.22 Exceptional items

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

2. Accounting policies (continued)

2.23 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.24 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.25 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.

2.26 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.

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.

2. *Accounting policies (continued)*

2.27 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.

2.28 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.

2.29 Rounding of amounts

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

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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 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 was adjusted for by £5,843k.

Planned disposal of the Westbourne Park division
The directors have made a judgement in respect of the planned disposal of the Westbourne Park division subsequent to the year end. The directors consider that the transaction, which is yet to complete, did not meet the criteria of paragraphs 7 and 8 of IFRS 5 as at the reporting date, 30 June 2021. The directors have assessed that the group of assets relating to the disposal was not available for immediate sale nor was the sale highly probable as at the reporting date. Since the criteria were only met after the reporting period, the Westbourne Park division has not been classified as a non-current asset (or disposal group) held for sale, nor has it been presented as a discontinued operation.

4. Turnover

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

All turnover arose within the United Kingdom.

5. Other operating income

	2021 12 months £000	2020 15 months £000
Government Grant	2,603	1,123
Other Income	1,788	1,362
	4,391	2,485

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

6. Exceptional items

	2021 12 months £000	2020 15months £000
Redundancy	438	261

7. Operating loss

The operating loss is stated after charging:

	2021 12 months £000	2020 15 months £000
Employment benefit expense	9,079	12,984
Materials and consumables	5,444	6,300
Other administrative costs	4,162	6,016
Depreciation	7,110	11,790
Amortisation	-	6
Short-term lease payments	341	729

The cashflow associated with the short-term leases during the year was £321k *(2020: £719k)*.

8. Auditor's remuneration

	2021 12 months £000	*2020 15 months £000*
Audit services		
Audit of the financial statements	**63**	*89*
Other services		
Tax compliance services	**8**	*14*
Tax advisory services	**46**	*2*
Accounts production services	**2**	*-*
Other non-audit services	**103**	*9*
	159	*25*

9. Average number of employees and employee benefits expense

Staff costs, including directors' remuneration, were as follows:

	2021 12 months £000	*2020 15 months £000*
Wages and salaries	**47,988**	*71,453*
Social security costs	**4,497**	*6,636*
Cost of defined contribution scheme	**1,214**	*1,783*
Total employee benefits expense	**53,699**	*79,872*

Contributions totalling £48,000 *(2020: £56,000)* were payable to the defined contribution scheme fund at statement of financial position date.

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

	2021 12 months No.	*2020 15 months No.*
Drivers and engineers	**1,025**	*1,243*
Administrative staff	**118**	*137*
	1,143	*1,380*

10. Directors' remuneration

Details of directors' remuneration is set out below:

	2021 £000	*2020 £000*
Directors' emoluments	**87**	*167*
Company contributions to defined contribution pension schemes	**5**	*6*
	92	*173*

During the year retirement benefits were accruing to 1 director *(2020 - 1)* under money purchase schemes in respect of qualifying services.

The highest paid director received aggregate remuneration of £87k *(2020 - £119k)*.

11. Interest receivable

	2021 12 months £000	*2020 15 months £000*
Other interest receivable	**1**	*1*
Interest receivable from group companies	**40**	*72*
	41	*73*

12. Interest payable and similar expenses

	2021 12 months £000	*2020 15 months £000*
Bank interest payable	**112**	*55*
Interest payable to group companies	**638**	*620*
Interest and finance charges paid/payable on lease liabilities	**827**	*1,279*
	1,577	*1,954*

13. Taxation

	2021 12 months £000	*2020* *15 months* *£000*
Deferred tax		
Origination and reversal of timing differences	(700)	*(593)*
Adjustments in respect of prior periods	106	*(17)*
Effect of tax rate change on opening balance	629	*416*
Total deferred tax	35	*(194)*

Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than *(2020 - higher than)* the standard rate of corporation tax in the UK of 19% *(2020 - 19%)*. The differences are explained below:

	2021 12 months £000	*2020* *15 months* *£000*
Loss on ordinary activities before tax	(3,008)	*(2,388)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2020: 19%)*	(572)	*(454)*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	25	*63*
Impact of tax rate changes on deferred tax	460	*416*
Fixed asset differences	16	*15*
Adjustment to brought forward values	-	*(217)*
Adjustment to tax charge in respect of previous periods	106	*(17)*
Total tax charge for the year/period	35	*(194)*

13. Taxation (continued)

Factors that may affect future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less will continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels.

14. Non-current assets - intangibles

	Software £000
Cost	
At 1 July 2020	427
At 30 June 2021	427
Amortisation	
At 1 July 2020	425
At 30 June 2021	425
Net book value	
At 30 June 2021	2
At 30 June 2020	*2*

15. Non-current assets - tangible assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 July 2020	19,116	3,776	2,140	25,032
Additions	-	260	32	292
Disposals	-	-	(80)	(80)
At 30 June 2021	19,116	4,036	2,092	25,244
Depreciation				
At 1 July 2020	24	3,126	982	4,132
Charge for the year on owned assets	54	350	239	643
Disposals	-	-	(45)	(45)
At 30 June 2021	78	3,476	1,176	4,730
Net book value				
At 30 June 2021	19,038	560	916	20,514
At 30 June 2020	*19,092*	*650*	*1,158*	*20,900*

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

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 used the independent expert's report to determine the fair value of land and buildings as at the prior period and current year 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 3. 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.

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

	2021 £000	*2020 £000*
Land and building - right-of-use	**30,461**	*29,669*
Less: Accumulated depreciation	**(1,161)**	*(727)*
	29,300	*28,942*
Motor vehicles - right-of-use	**45,108**	*28,611*
Less: Accumulated depreciation	**(24,274)**	*(18,241)*
	20,834	*10,370*
	50,135	*39,312*

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.

17. Current assets - Inventories

	2021 £000	*2020 £000*
Fuel at cost	**321**	*274*
Spare parts at cost	**443**	*406*
Less: Provision for impairment	**(252)**	*(227)*
	512	*453*

Inventory recognised in cost of sales during the period as an expense was £6,009,000 *(2020: £10,898,000)*.

18. Debtors

	2021 £000	*2020* *£000*
Trade receivables	**2,302**	*3,052*
Other receivables	**1,261**	*118*
Amounts owed by group undertakings	**1,298**	*2,558*
Prepayments and accrued income	**1,401**	*1,689*
	6,262	*7,417*

19. Cash and cash equivalents

	2021 £000	*2020* *£000*
Cash on hand	**-**	*1*
Cash at bank	**3,375**	*5,038*
	3,375	*5,039*

20. Creditors: Amounts falling due within one year

	2021 £000	*2020* *£000*
Trade payables	**1,522**	*950*
Amounts owed to group undertakings	**26,210**	*22,103*
Other taxation and social security	**1,007**	*1,089*
Lease liabilities	**4,611**	*5,095*
Other creditors	**6**	*-*
Accruals and deferred income	**4,131**	*8,170*
	37,487	*37,407*

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 Kelsian Group Limited (formerly named SeaLink Travel Group Limited), confirming their continuing financial support. Such support will continue for at least twelve months from the signing of the company's financial statements.

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

21. Creditors: Amounts falling due after more than one year

	2021 £000	*2020* *£000*
Lease liabilities	31,253	*19,933*

22. Provisions

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

	Insurance £000	Tyre £000	Lease return costs £000	Employment benefits £000	Total £000
At 1 July 2020	1,761	413	1,719	1,557	5,450
Utilised	(113)	(53)	(503)	(46)	(715)
At 30 June 2021	**1,648**	**360**	**1,216**	**1,511**	**4,735**

Employment benefits
The employee benefits provision represents holiday balances accrued as a result of services rendered in the current year 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.

23. Deferred taxation

	2021 £000	*2020 £000*
At beginning of year/period	**1,880**	*2,074*
Charged/(credited) to Statement of Comprehensive Income	**35**	*(194)*
At end of year/period	**1,915**	*1,880*

The provision for deferred taxation is made up as follows:

	2021 £000	*2020 £000*
Accelerated capital allowances	**598**	*(83)*
Losses and other deductions	**(2,034)**	*(461)*
Temporary differences	**(234)**	*(198)*
Revaluation of land and buildings	**3,585**	*2,622*
	1,915	*1,880*

24. Share capital

	2021 £000	*2020 £000*
Allotted, called up and fully paid		
1 *(2020 - 1)* Ordinary share of £1.00	**-**	-

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.

25. Reserves

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 consequence of the LTIP (note 29).

26. Prior year adjustment

In preparing the financial statements for the year ended 30 June 2021, management have identified that the operating income balance in the prior period of £2,485k had been incorrectly mapped above the gross profit line instead of below gross profit. This was not in compliance with format 1 of the Companies Act 2006. This classification error impacts the Statement of Comprehensive for the period ended 30 June 2020 only. The balance has been reclassified and restated accordingly within the current year financial statements. As this is simply a classification and disclosure error, there is no impact on the overall financial result or profit and loss reserves to report.

27. Capital commitments

	2021	*2020*
	£000	*£000*
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Buses and related infrastructure	**1,321**	*16,762*
Lease commitments - short-term leases		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	**-**	*37*

28. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,214k *(2020: £1,783k)*. Contributions totalling £48k *(2020: £56k)* were payable to the fund at the reporting date and are included in creditors.

29. Related party transactions

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.

30. 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 Nil *(2020: 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 £Nil during the period *(2020: £299k)*. In the prior period, on 16 January 2020, Tower Transit Group Limited was acquired by Kelsian Group Limited (formerly named SeaLink Travel Group Limited), this event meant that all conditions attached to the shares were satisfied. No further share-based charge will arise.

31. Post balance sheet events

In December 2021, its parent undertaking, Tower Transit Limited, formed a joint venture with RATP Dev Limited to which the Westbourne Park business of Tower Transit Operations Ltd has been sold, as have the operating entities of RATP Dev Limited.

Tower Transit Ltd now holds 12.5% of the shares in the joint venture.

The Board continue to review opportunities for the remaining business in London.

32. Controlling party

The immediate parent company is Tower Transit Limited, which is incorporated in England and Wales. The company's ultimate parent entity is Kelsian Group Limited (formerly named SeaLink Travel Group Limited), an Australian incorporated and domiciled entity, and its consolidated financial statements, which the company forms part of, are available from the Australian Stock Exchange. Due to the structure of the shareholding, there is no ultimate controlling party.