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Metroline West Limited

Company Registration No. 2826284

Metroline Limited

Annual Report and Financial Statements

for the year ended 31 December 2015

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Metroline Limited

Annual Report and Financial Statements for the year ended 31 December 2015

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Metroline Limited

Corporate Information
for the year ended 31 December 2015

Directors

Lim Jit Poh
Kua Hong Pak
Jaspal Singh

Company Secretary

Ishai Novick

Registered office

ComfortDelGro House
329 Edgware Road
Cricklewood
London
NW2 6JP

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

OCBC Bank
8th Floor, Aldermary House
10-15 Queen Street
London EC4N ITX

DBS Bank Ltd
4th Floor, Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Solicitors

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

Actuaries

First Actuarial LLP
2nd Floor
The Square
Basing View
Basingstoke
Hampshire RG21 4EB

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Metroline Limited

Strategic report

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006

This Strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to the Group and its subsidiary undertakings when viewed as a whole

Activities

The Group's principal activity during the year continued to be the provision of road passenger transport services, principally in London through operating tendered Transport for London ("TfL") routes

Financial results and future prospects

As shown in the Group's consolidated income statement on page 9, the Group's revenue has increased in the year by £8 1m (2 2%), the result of new route contracts in London that commenced operation in the year Profit after tax increased by £2 8m (10 5%) due to growing the base of contracts whilst maintaining cost control over operating costs

The Group's statement of financial position on page 11 and page 12 shows the Group's net asset position at £161m at the end of the year

The average staff numbers increased by 0 9% over the year, averaging 5,480 in 2015 (2014 5,429) although ending the year higher at 5,524

During 2015 the Group transitioned to International Financial Reporting Standard (IFRS) An explanation of recognition and measurement differences arising on the adoption of IFRS is given in the note 25 to the financial statements

The results of the Group for the year ended 31 December 2015 show a pre-tax profit of £36,721,000 (2014 £33,406,000) and revenue of £380,009,000 (2014 £371,898,000) The Group has net assets of £161,245,000 (2014 £128,033,000)

Future outlook

The Group intends to continue the provision of passenger transport services Expansion may be achieved through tendering for Transport for London ("TfL") contracts, as they become available, and launching new commercial services and journeys in the unregulated market

Principal risks and uncertainties

Competitive pressure in the regulated London market is a continuing risk for the Group, which could result in it losing routes to its key competitors The Group manages this risk by constantly striving to improve the quality of its services, extending route contracts for a further two years, where permissible by TfL and acceptable financial returns can be achieved, and by having a spread of route contracts with varying expiry dates

Financial risk management

The Group's principal financial assets are bank balances and trade receivables The Group's credit risk is primarily attributable to its trade receivables The Group has a small number of trade receivables and as such has a high concentration of credit risk with these customers However, the Directors feel that the credit risk of the trade receivables is low because the main receivables are United Kingdom government bodies The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies Details of complex financial instruments can be found in note 20 of the financial statements

Metroline Limited

Strategic report (continued)

Going concern

The Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the financial statements

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

Approval

This report was approved by the Board of Directors on 8 March 2016 and signed on its behalf by

Jaspal Singh
Director
8th March 2016

Metroline Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2015

Environment

Metroline Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities

Directors

Details of the current directors are given on page 1

Qualifying third party indemnity insurance was provided to the Directors and Officers of Metroline Limited for the entire period covered by these financial statements by the Company's ultimate parent company (see Note 22) This cover has continued to the date of approval of these financial statements

Disabled employees

The Group's policy in respect of disabled persons is that their applications for employment are always fully and fairly considered, bearing in mind the abilities of the applicant concerned In the event of a member of staff becoming disabled, every effort is made to ensure that employment with the company continues and where necessary appropriate training is arranged It is the Group's policy that training, career development and promotion of disabled persons should, as far as possible, be identical to that of all other employees in similar gradings

Employee consultation

The Directors and Managers of the Group companies place considerable value on the consultative meetings with employees Information on matters affecting employees and on various factors affecting the performance of the company is disseminated through meetings, newsletters and training programmes Employees' representatives are consulted regularly on a wide range of matters affecting employees' current and future interests

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

In the case of each of the persons who are Directors of the company at the date when this report was approved

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware, and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information

This information is given and should be interpreted in accordance with the provisions of s 418(2) of the Companies Act 2006

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

Jaspal Singh

Director

8th March 2016

Metroline Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with Financial Reporting Standard 101 '*Reduced Disclosure Framework*' (FRS101) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year

In preparing the Company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis

In preparing the Group financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report to the members of Metroline Limited

We have audited the financial statements of Metroline Limited for the year ended 31 December 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity and the related notes 1 to 25 The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework"

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

Respective responsibilities of directors and auditor

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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework", and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion 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

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 any material misstatements in the Strategic Report and the Directors' Report

Independent auditor's report to the members of Metroline Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company 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

Sukhbinder Kooner (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
8th March 2016

Metroline Limited

Consolidated income statement
Year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Continuing operations			
Revenue	3	380,009	371,898
Cost of sales		(314,785)	(311,120)
Gross profit		65,224	60,778
Administrative expenses		(27,638)	(26,053)
Operating profit	5	37,586	34,725
Finance income	6	83	65
Finance costs	7	(948)	(1,384)
Profit before taxation		36,721	33,406
Income tax expense	8	(7,161)	(6,663)
Profit for the year		29,560	26,743
Attributable to			
Shareholders of the Company		29,560	26,743

Metroline Limited

Consolidated statement of comprehensive income
Year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Profit for the year		29,560	26,743
Items that will not be reclassified subsequently to profit or loss			
Actuarial adjustment on defined benefit pension schemes	21	2,215	(987)
Deferred tax charge on actuarial adjustment		(658)	(69)
		1,557	(1,056)
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment on cash flow hedges		2,619	(3,192)
Deferred tax (charge)/credit on fair value adjustment on cash flow hedges		(524)	638
		2,095	(2,554)
Other comprehensive income/(loss) for the year		**3,652**	**(3,610)**
Total comprehensive income for the year		**33,212**	**23,133**
Attributable to:			
Shareholders of the Company		33,212	23,133

Metroline Limited

Consolidated statement of financial position
As at 31 December 2015

	Note	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Assets				
Non-current assets				
Goodwill	9	49,280	49,280	49,280
Property, plant and equipment	10	158,027	145,240	143,941
Deferred tax assets	17	1,047	1,705	1,774
Trade and other receivables	13	-	2	86
Total non-current assets		208,354	196,227	195,081
Current assets				
Inventories	12	2,721	2,695	2,724
Trade and other receivables	13	34,455	28,003	76,135
Cash and cash equivalents		25,173	10,836	10,017
Total current assets		62,349	41,534	88,876
Total assets		**270,703**	**237,761**	**283,957**

Metroline Limited

Consolidated statement of financial position
As at 31 December 2015

Liabilities and equity	Note	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Current liabilities				
Trade and other payables	15	41,037	41,752	58,236
Borrowings	14	9,502	9,213	67,870
Deferred revenue		16,097	11,025	10,211
Income tax payable		3,669	3,363	3,165
Provision for accident claims		11,069	11,059	10,768
Total current liabilities		81,374	76,412	150,250
Non-current liabilities				
Borrowings	14	16,168	18,252	29,766
Deferred tax liabilities	17	6,681	6,538	7,443
Retirement benefit obligation	21	5,235	8,526	8,448
Total non-current liabilities		28,084	33,316	45,657
Total liabilities		109,458	109,728	195,907
Equity				
Issued share capital	18	61,002	61,002	21,002
Share premium account		24,272	24,272	24,272
Capital redemption reserve		100	100	100
Revaluation reserve		905	905	905
Retained earnings		91,326	61,766	58,173
Retirement benefit reserve		(15,627)	(17,184)	(16,128)
Cash flow hedging reserve		(733)	(2,828)	(274)
Equity attributable to shareholders of the Company		161,245	128,033	88,050
Total equity		161,245	128,033	88,050
Total liabilities and equity		**270,703**	**237,761**	**283,957**

The financial statements of Metroline Limited, registered number 2826284, were approved by the Board of Directors on 8 March 2016

Signed on behalf of the Board of Directors

Jaspal Singh

Director

Metroline Limited

Consolidated statement of changes in equity
Year ended 31 December 2015

	Share capital £'000	Share premium account £'000	Capital redemption reserves £'000	Revaluation reserve £'000	Cash flow hedging reserves £'000	Retirement benefit reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014	**21,002**	**24,272**	**100**	**905**	**(274)**	**(16,128)**	**58,173**	**88,050**
Profit for the year	-	-	-	-	-	-	26,743	26,743
Other comprehensive income for the year	-	-	-	-	(2,554)	(1,056)	-	(3,610)
Total comprehensive income for the year	-	-	-	-	(2,554)	(1,056)	26,743	23,133
Equity shares issued	40,000	-	-	-	-	-	-	40,000
Dividends	-	-	-	-	-	-	(23,150)	(23,150)
Balance at 31 December 2014	**61,002**	**24,272**	**100**	**905**	**(2,828)**	**(17,184)**	**61,766**	**128,033**
Profit for the year	-	-	-	-	-	-	29,560	29,560
Other comprehensive income for the year	-	-	-	-	2,095	1,557	-	3,652
Total comprehensive income for the year	-	-	-	-	2,095	1,557	29,560	33,212
Balance at 31 December 2015	**61,002**	**24,272**	**100**	**905**	**(733)**	**(15,627)**	**91,326**	**161,245**

Metroline Limited

Company statement of financial position
As at 31 December 2015

Company	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	-	-
Investments	11	101,401	101,401
Deferred tax assets	17	2	710
Trade and other receivables	13	-	2
Total non-current assets		101,403	102,113
Current assets			
Trade and other receivables	13	5,429	35
Cash and cash equivalents		105	-
Total current assets		5,534	35
Total assets		**106,937**	**102,148**
Liabilities and equity			
Current liabilities			
Trade and other payables	15	5,565	3,606
Total liabilities		5,565	3,606
Equity			
Issued share capital	18	61,002	61,002
Share premium account		24,272	24,272
Capital redemption reserve		100	100
Retained earnings		15,998	15,996
Cash flow hedging reserve		-	(2,828)
Total equity		101,372	98,542
Total liabilities and equity		**106,937**	**102,148**

No profit and loss account is presented for Metroline Limited as permitted by section 408 of the Companies Act 2006 The profit for the Company was £2,000 (2014 £10,906,000)

The financial statements of Metroline Limited, registered number 2826284, were approved by the Board of Directors on 8 March 2016

Signed on behalf of the Board of Directors

Jaspal Singh
Director

Ishai Novick
Secretary

Metroline Limited

Company statement of changes in equity
Year ended 31 December 2015

Company	Share capital £'000	Share premium account £'000	Capital redemption reserves £'000	Cash flow hedging reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014	**21,002**	**24,272**	**100**	**(274)**	**5,090**	**50,190**
Profit for the year	-	-	-	-	10,906	10,906
Other comprehensive income for the year	-	-	-	(2,554)	-	(2,554)
Equity shares issued	40,000	-	-	-	-	40,000
Balance at 31 December 2014	**61,002**	**24,272**	**100**	**(2,828)**	**15,996**	**98,542**
Profit for the year	-	-	-	-	2	2
Other comprehensive income for the year	-	-	-	2,828	-	2,828
Balance at 31 December 2015	**61,002**	**24,272**	**100**	**-**	**15,998**	**101,372**

Metroline Limited

Consolidated statement of cash flows
Year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Operating activities			
Profit before taxation		36,721	33,406
Adjustments for			
Depreciation and amortisation		19,337	17,534
Interest income		(83)	(65)
Finance costs		948	1,384
Reversal of provision for impairment of property, plant and equipment		(288)	(304)
Loss on disposal of property, plant and equipment		244	39
Foreign exchange loss on currency translation		8	-
Operating cash flows before movements in working capital		56,887	51,994
Working capital adjustments			
Inventories		(26)	29
Trade receivables		(262)	6,962
Other receivables and prepayments		(5,552)	(6,212)
Trade and other payables		(444)	2,055
Other liabilities		3,334	(458)
Changes in working capital – Group undertakings		1,893	3,067
Cash generated from operations		**55,830**	**57,437**
Income tax paid		(6,978)	(6,723)
Net cash from operating activities		**48,852**	**50,714**
Investing activities			
Purchase of property, plant and equipment		(32,312)	(18,923)
Less Vehicles & equipment purchased under hire purchase arrangements		9,095	-
Proceeds from disposal of property, plant and equipment		175	161
Cash payments on purchase of property, plant and equipment		(23,042)	(18,762)
Interest received		83	65
Net cash used in investing activities		**(22,959)**	**(18,697)**
Financing activities			
New loans raised		-	31,000
Repayment of borrowings		-	(90,801)
Payment of finance lease liabilities		(10,890)	(10,370)
Interest paid		(153)	(417)
Interest element of finance lease payment		(513)	(610)
Share issue		-	40,000
Net cash flows used in financing activities		**(11,556)**	**(31,198)**
Net increase in cash and cash equivalents		14,337	819
Cash and cash equivalents at beginning of year		10,836	10,017
Cash and cash equivalents at end of year		**25,173**	**10,836**

Metroline Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

1. General information

Metroline Limited (Registration no 2826284) is incorporated in the United Kingdom with registered office at ComfortDelGro House, 329 Edgware Road, Cricklewood, London NW2 6JP Metroline Limited is subsidiary of Braddell Limited, an investment holding company for its parent company ComfortDelGro Corporation Limited in Singapore Information on its ultimate parent is presented in note 23

The operating companies provide road passenger transport services, principally London through operating tendered Transport for London ("TfL") routes

The consolidated financial statements of the Group for the year ended 31 December 2015 (including comparatives) and the statement of financial position and statement of changes in equity for the Company were approved and authorised for issue by the board of directors on 8 March 2016

2. Summary of significant accounting policies

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 2 The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in further detail in the notes to the financial statements The directors are satisfied with the results and believe that the Group is well placed to manage its business risks successfully

In particular, although the Group is exposed to wider macroeconomic events, the directors have given due consideration to the fact that the Group benefits from strong, predictable cash flows from the long-term contracts with government bodies which provide a substantial majority of its revenues The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to continue to operate within the level of the resources available to it

The directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Basis of preparation and adoption of IFRS for the Group financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation

For all periods up to and including the year ended 31 December 2014, the Group prepared its financial statements in accordance with United Kingdom accounting standards and law (UK GAAP) These financial statements for the year ended 31 December 2015 are the first the Group has prepared in accordance with IFRS Note 25 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended 31 December 2014 prepared under UK GAAP

The consolidated financial statements have been prepared on a historical cost basis, except for hedging instruments that have been measured at fair value The consolidated financial statements are presented in GBP and all values are rounded to the nearest thousand (£'000), except when otherwise indicated

2. Summary of significant accounting policies (continued)

Adoption of FRS 101 'Reduced disclosure framework' for the Company financial statements

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1 6-33 and related appendices These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016

The Company's date of transition to FRS 101 was 1 January 2014 The Company has notified its shareholders in writing The prior year financial statements were restated and there were no material adjustments to the Company financial statements on adoption of FRS 101 in the current year

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions Where relevant, equivalent disclosures have been given in the Company's consolidated financial statements

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 31 December 2015 Subsidiaries are all entities over which the Group has the power to control the financial and operating policies The Group obtains and exercises control through more than half of the voting rights All subsidiaries have a reporting date of 31 December

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable

Business combinations and goodwill

The Group applies the acquisition method in accounting for business combinations The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement Acquisition costs are expensed as incurred

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values

2. Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Goodwill is stated after separate recognition of identifiable intangible assets It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i e gain on a bargain purchase) is recognised in profit or loss immediately

The cost of goodwill in these financial statements has been measured at its amortised book value under previous UK GAAP at the date of transition to IFRS Goodwill is tested for impairment at each reporting date and provision is made for any impairment identified

After initial recognition, goodwill is measured at cost less any accumulated impairment losses For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units

Property, plant and equipment

Property, plant and equipment are stated at historical cost or valuation less accumulated depreciation and provision for impairment

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life, as follows

Freehold buildings	50 years
Buses	12 years
Plant and machinery	1 to 10 years
Leasehold land and leasehold improvements	Over the life of the lease

Investments

Investments held as non-current assets are stated at cost less provision for any impairment in value

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and cash in deposit accounts which require less than three months' notice for the Company to access

Inventories

Inventories consist primarily of materials required for the operation and maintenance of buses These materials are valued on a first in first out basis at the lower of cost and net realisable value to the group

2. Summary of significant accounting policies (continued)

Taxation

Income tax expense in profit or loss comprises the sum of current and deferred tax It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits Deferred tax liabilities are generally recognised for all taxable temporary differences Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the statement of financial position and are depreciated over their useful lives The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the statement of financial position

The interest elements of the rental obligations are charged in profit and loss over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

The cost of operating leases is charged directly to profit and loss over the period of the leases on a straight line basis, even if the payments are not made on such a basis

Retirement benefit obligations

The Group operates two defined benefit pension schemes for certain employees, the assets of which are held in trustee administered funds The related pension costs are assessed in accordance with the advice of a qualified actuary on the basis of final pensionable earnings The regular cost is attributed to individual periods using the projected unit credit method The schemes are now closed to new members

The differences between the fair value of the assets held in the Group's defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using projected unit method are recognised in the Group's statement of financial position as a pension scheme asset or liability as appropriate

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme The pension scheme balance is recognised net of any related deferred tax balance

2 Summary of significant accounting policies (continued)

Retirement benefit obligations (continued)

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to profit or loss or the statement of other comprehensive income in accordance with IAS 19 'Employee Benefits'

Scheme administration expenses are included within operating profit Net interest expense or income is calculated by applying the discount rate to the net defined benefit asset or liability and included within net finance costs Actuarial gains and losses are recognised immediately in the statement of comprehensive income Actuarial gains and losses include the difference between the actual return on assets (net of investment administration costs and taxes, such as amounts levied by the UK Pension Protection Fund) and the discount rates applied to the assets Mortality rates are considered when retirement benefit obligations are calculated

The Group also operates a defined contribution pension scheme, the assets of which are held separately from those of the Group and are managed by a third party Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

Insurance and provision for accident claims

Insurance costs include insurance premiums which are recognised in profit and loss over the period to which they relate Included in provisions is an estimate of the liability for uninsured retained risks on unpaid claims arising out of events occurring up to the statement of financial position date

Revenue

Revenue represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due Where a contract has only been partially completed at the statement of financial position date, revenue represents the value of the service provided to date based on a proportion of the total contract value Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year

Revenue includes Quality Incentive Contracts (QICs) revenue which is recognised over the period of the contract

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date All exchange differences are included in profit and loss

Hedging instruments and hedge accounting

The Group uses hedging instruments to manage its exposure to fuel price fluctuation, foreign currency movements and interest rate risks The use of hedging instruments is governed by the ultimate parent company's policies which provide written principles on the use of financial instruments consistent with its risk management strategy (refer to note 20)

Hedging instruments are initially recognised at fair value on the contract date, and are subsequently remeasured to their fair value at the end of each reporting period The resulting gain or loss is recognised in profit or loss immediately unless the hedging instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship The Group designates its hedging instruments as cash flow hedges

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

Hedging instruments and hedge accounting (continued)

Hedging instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative The fair value of hedging instrument is classified as a non-current asset or non-current liability if the maturity of the hedge relationship exceeds 12 months and as a current asset or current liability if the maturity of the hedge relationship is within 12 months

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item

The Group designates any interest rate swap for hedging of interest rate risk arising from borrowings as cash flow hedges Hedges of foreign currency risk for future purchases of goods are designated as cash flow hedges Hedges of fuel price risk for future purchases of goods are also designated as cash flow hedges

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting

Note 20 contains details of the fair value of the hedging instruments

Cash flow hedge

The effective portion of changes in the fair value of the hedging instruments that are designated and qualify as cash flow hedges are recognised in other comprehensive income The gain or loss relating to the ineffective portion is recognised immediately in profit or loss Amounts recognised in other comprehensive income are taken to profit or loss when the hedged item is realised The cash flow hedging reserves reported in the consolidated statement of changes in equity represent the fair value of the hedging instruments net of deferred tax

Impairment review of goodwill, other intangibles and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units) As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount

2. Summary of significant accounting policies (continued)

Adoption of new and revised standards

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015 Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements

The following new and revised IFRSs have been issued but are not yet effective and have not been applied by the Group in these financial statements

- IFRS 9 - Financial Instruments (effective for the year ending 31 December 2018, subject to EU endorsement)
- IFRS15 - Revenue from Contracts with Customers (effective for the year ending 31 December 2018, subject to EU endorsement)
- IFRS16 – Leases (effective for the year ending 31 December 2019, subject to EU endorsement)

IFRS 9 is not expected to have a material impact on the results of the Group when it is adopted Management is evaluating the potential effect of IFRS 15 and IFRS 16 on the Group's financial statements

The following revisions, amendments and improvements have been issued but are not yet effective and are not expected to have a material impact on the results of the Group when they are adopted

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS16 and IAS38)
- Defined Benefit Plans Employee Contributions (Amendments to IAS19)
- Improvements to IFRS 2010-2012 Cycle and 2011-2013 Cycle

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

Quality Incentive Contract revenue recognition
A portion of the Group's revenue for London bus services is variable based on the performance of the Group's bus services against certain criteria, such as punctuality, reliability and other factors determined by Transport for London The Group is required to estimate the amount of this variable Quality Incentive Contract revenue based on the performance of its London bus services against these criteria

Notes to the financial statements (continued)
Year ended 31 December 2015

2. Summary of significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate and long term growth rates in order to calculate present value Details of the carrying amount of goodwill and of the value in use calculations are set out in note 9

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period to ensure that they appropriately reflect the consumption of the economic benefit of that property, plant and equipment

Measurement of provision for accident claims

The estimation of the self-insurance provision is based on an assessment of the expected settlement on known claims together with an estimate of settlements for incidents which have occurred but not been reported before the balance sheet date The Group makes assumptions concerning these judgemental matters based on its Claims team's past experience of similar incidents as well as the advice of its lawyers and insurers

Measurement of post-employment benefit liabilities

The present value of the defined benefit pension schemes' liabilities is dependent on a number of assumptions including interest rates of high quality corporate bonds, inflation and mortality rates The net interest expense or income is dependent on the interest rates of high quality corporate bonds The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations Further details of the techniques applied, inputs used and the sensitivity to changes of the net pension liabilities are given in note 21 to the financial statements

3. Revenue and operating profit

Revenue and operating profit are attributable to the Group's principal activity and arise entirely in the United Kingdom

	2015	2014
	£'000	£'000
Bus revenue	380,009	371,898
Finance income (note 6)	83	65
Total revenue	380,092	371,963
Operating profit	37,586	34,725

4. Information regarding directors and employees

Group	2015 £'000	2014 £'000
Directors' remuneration		
Emoluments	290	238
Company contributions to money purchase pension schemes	14	10
	304	248
Highest paid director		
Emoluments	270	218
Company contributions to money purchase pension schemes	14	10

	Group 2015 No.	2014 No
Average number of persons employed (including directors)		
Operating staff	4,606	4,553
Engineering	288	293
Administration	586	583
	5,480	5,429

	Group 2015 £'000	2014 £'000
Staff costs during the year (including directors)		
Wages and salaries	194,885	187,247
Social security costs	20,321	19,444
Pension costs	4,166	4,100
	219,372	210,791

During the year certain of the directors received emoluments as executives including salaries, benefits in kind and contributions for pensions and other related payments from ComfortDelGro Corporation Limited, the ultimate parent undertaking

Amounts paid to these directors are disclosed within the ComfortDelGro Corporation Limited financial statements

No directors (2014 nil) had retirement benefits accruing under a defined benefit pension scheme

One director also receives remuneration for his services as a director of fellow subsidiary undertakings of ComfortDelGro Corporation Limited from those undertakings as disclosed in their financial statements

There has been no share option or long-term incentive scheme available for the directors in the current year

5. Group operating profit

Group operating profit is stated after charging/(crediting):	2015 £'000	2014 £'000
Depreciation		
Assets owned	13,123	10,721
Assets held under finance leases and hire purchase contracts	6,214	6,813
Rentals under operating leases		
Land and buildings	3,562	3,400
Buses	8,253	9,378
Plant and machinery	205	200
Reversal of provision for impairment of property, plant and equipment – owned assets	(288)	(304)
Loss on disposal of property, plant and equipment	244	39

Auditor's remuneration	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	77	77
Total audit fees	77	77
Tax compliance fees	29	30
Total fees	106	107

6. Finance income

	2015 £'000	2014 £'000
Bank interest	82	65
Other interest	1	-
	83	65

7. Finance costs

	2015 £'000	2014 £'000
Net interest on pension scheme liabilities	286	365
Bank loans	153	417
Finance leases and hire purchase contracts	509	602
	948	1,384

8 Income tax expense

a) Tax expense:

	2015 £'000	2014 £'000
Current tax expense		
Current tax on profits for the year	7,140	6,995
Adjustments in respect of prior years	402	(65)
Total current tax charge	7,542	6,930
Deferred tax		
Origination and reversal of temporary differences (note 17)	(381)	(267)
Income tax expense reported in the income statement	7,161	6,663

8. Income tax expense (continued)

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

	2015 £'000	2014 £'000
Profit before taxation	36,721	33,406
Income tax expense calculated at standard rate of 20 25% (2014 21 5%)	7,436	7,182
Factors affecting charge for the year		
Disallowable expenses	(368)	(186)
Capital allowances for the year in excess of depreciation	(90)	42
Short-term timing differences arising in the year	(219)	(310)
Adjustments in respect of prior years	402	(65)
Total tax charge for the year	7,161	6,663
Effective rate	19 5%	19 9%

b) Income tax recognised in other comprehensive income

	2015 £'000	2014 £'000
Deferred tax		
Deferred tax related to items charged /(credited) to other comprehensive income during the year		
Fair value adjustment on cash flow hedges	524	(638)
Actuarial adjustment on defined benefit pension schemes	658	69
Income tax charged /(credited) directly to other comprehensive income	1,182	(569)

c) Changes in tax rates and factors affecting the future tax charge

As a result of the Finance Act 2013, the standard rate of corporation tax in the UK was reduced from 23% to 21% effective from 1 April 2014 and was further reduced from 21% to 20% effective from 1 April 2015 As such, the standard rate of tax for the year, based on the UK standard rate of corporation tax, is 20 25% (average rate for year 90 days at 21%, 275 days at 20%) (2014 21 5%) Accordingly deferred tax balances as at the 31 December 2014 have been recognised at 20%, the enacted rate of corporation tax that will apply for periods from 1 April 2015 In addition to this, the Finance (No 2) Bill 2015 provides that the rate of corporation tax for the 2017 Financial Year (commencing 1 April 2017) will be 19% and that the rate from 1 April 2020 will be 18% The temporary timing differences are expected to be reversed after 1 April 2020 and, as such, deferred tax balances as at 31 December 2015 have been recognised at 18%

9 Goodwill

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

Group	£'000
Cost and net book value	
At 31 December 2015	49,280
At 31 December 2014	49,280
At 1 January 2014	49,280

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units that are expected to benefit from that business combination The cost of goodwill in these financial statements has been measured at its amortised book value under previous UK GAAP at the date of transition to IFRS The carrying amount of goodwill of £49,280,000 (2014 £49,280,000, 1 January 2014 £49,280,000) is allocated to the bus business in the UK

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment The recoverable amounts of the cash generating units ("CGUs") are determined based on value in use calculations The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenues and direct costs during the period

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs The estimated discount rate used was 5 9% (2014 5 8%) Changes in revenues and direct costs are based on past practices and expectations of future changes in the market

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows into perpetuity based on an estimated growth that does not exceed the average long-term growth rate for the relevant markets The long term growth rate used was 2 2% (2014 2 7%)

Metroline Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

10. Property, plant and equipment

Group	Freehold land and buildings £'000	Leasehold land and buildings improve-ments £'000	Buses £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2014	27,308	12,639	183,318	16,332	239,597
Additions	288	338	17,146	1,151	18,923
Disposals	(2)	-	(5,499)	(12)	(5,513)
Reclassifications	(40)	(40)	-	80	-
At 31 December 2014	**27,554**	**12,937**	**194,965**	**17,551**	**253,007**
Additions	401	243	30,241	1,427	32,312
Disposals	-	-	(3,962)	(33)	(3,995)
Reclassifications	(170)	(10)	-	180	-
At 31 December 2015	**27,785**	**13,170**	**221,244**	**19,125**	**281,324**
Accumulated depreciation and impairment					
At 1 January 2014	4,531	4,155	73,838	13,132	95,656
Charge for the year	473	574	15,666	821	17,534
Disposals	(2)	-	(5,111)	(6)	(5,119)
Reversal of provision for impairment	-	-	(304)	-	(304)
Reclassifications	(9)	(10)	-	19	-
At 31 December 2014	**4,993**	**4,719**	**84,089**	**13,966**	**107,767**
Charge for the year	486	567	17,337	947	19,337
Disposals	-	-	(3,546)	(30)	(3,576)
Reversal of provision for impairment	-	-	(231)	-	(231)
Reclassifications	(25)	(1)	-	26	-
At 31 December 2015	**5,454**	**5,285**	**97,649**	**14,909**	**123,297**
Net book value					
At 31 December 2015	22,331	7,885	123,595	4,216	158,027
At 31 December 2014	22,561	8,218	110,876	3,585	145,240
At 1 January 2014	22,777	8,484	109,480	3,200	143,941

10. Property, plant and equipment (continued)

Company	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2015 and 31 December 2015	216	306	522
Accumulated depreciation			
At 1 January 2015 and 31 December 2015	216	306	522
Net book value			
At 1 January 2015 and 31 December 2015	-	-	-

10. Property, plant and equipment (continued)

Assets held under finance leases contracts

Included in the Group amounts for buses and plant and machinery above are the following amounts relating to leased assets and assets acquired under finance lease contracts

	Buses £'000	Plant and machinery £'000
At 1 January 2014		
Cost	89,866	112
Accumulated depreciation	(33,978)	(60)
Net book value	55,888	52
At 31 December 2014		
Cost	81,341	-
Accumulated depreciation	(35,366)	-
Net book value	45,975	-
At 31 December 2015		
Cost	75,404	-
Accumulated depreciation	(32,427)	-
Net book value	42,977	-

11. Investments

Company	2015 £'000	2014 £'000
Cost		
At 1 January	111,978	54,486
Additions	-	57,500
Disposals	-	(8)
At 31 December	111,978	111,978
Impairment		
At 1 January and 31 December	(10,577)	(10,577)
Net book value	101,401	101,401

On 30 April 2014, Metroline Limited was issued with 57,499,999 ordinary shares in Metroline West Limited in connection with the capitalisation of a shareholder's loan for £57,500,000

All of the investments are unlisted

Metroline Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

11. Investments (continued)

Details of the Company's principal subsidiary undertakings, the results of which are included in these group financial statements, are as follows

Subsidiary undertakings	Country of registration and operation	Activity	Portion of ordinary shares and voting rights held % 2015	2014
Metroline Travel Limited	England and Wales	Bus operation	100	100
Metroline West Limited	England and Wales	Bus operation	100	100
Metroline Pension Scheme Trustees Limited	England and Wales	Trustee company	100	100

The registered office of Metroline Limited and all its subsidiaries is ComfortDelGro House, 329 Edgware Road, Cricklewood, London NW2 6JP

Audit exemption

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of that Act

Subsidiary undertakings	Registration number
Metroline Travel Limited	02328401
Metroline West Limited	08401654

12 Inventories

	Group		
	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Bus maintenance stocks	1,881	1,731	1,869
Fuel stocks	840	964	855
	2,721	2,695	2,724

The cost of inventories recognised as an expense and included in cost of sales was £53,306,000 (2014 £59,214,000) This includes an amount of £nil (2014 £285,000) resulting from write down of inventories

Notes to the financial statements (continued)
Year ended 31 December 2015

13. Trade and other receivables

	Group			Company	
			As at 1 January		
	2015	2014	2014	2015	2014
Current	£'000	£'000	£'000	£'000	£'000
Trade receivables	1,058	796	7,758	-	-
Amounts owed by group undertakings	254	276	47,811	5,429	23
VAT receivable	1,654	2,082	2,071	-	-
Prepayments	5,457	3,823	3,935	-	-
Accrued income	25,926	21,001	14,037	-	-
Hedging instruments (note 20)	-	12	512	-	12
Other receivables	106	13	11	-	-
	34,455	28,003	76,135	5,429	35
Non-current					
Hedging instruments (note 20)	-	2	86	-	2

Trade receivables

Trade receivables are non-interest bearing and are generally on 1-30 day terms

Credit risk management

Apart from Transport for London ("TfL"), the largest customer of the Group, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics The Group regards the credit risk arising from TfL to be limited as it is a UK government body Trade receivables from Transport for London were £1 1m (2014 £0 5m, 1 January 2014 £7 3m) of the trade receivables and were not due as at the year end date The credit risk on liquid funds and hedging instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

No allowance has been made for estimated irrecoverable amounts which has been determined by reference to past default experience The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held

The total value of receivables which are past due but not impaired is insignificant

Notes to the financial statements (continued)
Year ended 31 December 2015

14. Borrowings

	Group		
	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Borrowings comprise of the following			
Bank loans (a)	-	-	59,801
Finance leases obligations (b)	25,670	27,465	37,835
	25,670	27,465	97,636
Analysed as			
Current	9,502	9,213	67,870
Non-current	16,168	18,252	29,766
Total	25,670	27,465	97,636

(a) Bank loans

	Group		
	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Current - unsecured	-	-	57,500
Non-current - secured	-	-	2,301
	-	-	59,801

The bank loan was secured on buses

The Group has access to an £11 3 million committed revolving credit facility used for the purchase of buses and amounts due under this facility are secured over those buses This facility has a final maturity date of 28 February 2018, with the principal amount available to be drawn down under the facility reducing by £500,000 at yearly intervals each December to a final available principal amount of £10 3 million As at 31 December 2015 no amounts were drawn down under this facility (2014 £nil) The Group also has access to additional £40 0 million omnibus lines with sub-limits for a loan facility, standby letters of credit and bank guarantees, of which £18 3 million had been utilised as at 31 December 2015 (2014 £16 8m)

14 Borrowings (continued)

(b) Finance lease obligations

	Group			Group		
	Minimum lease payments			Present value of minimum lease payments		
Amounts payable under finance leases	2015 £'000	2014 £'000	As at 1 January 2014 £'000	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Within one year	9,855	9,630	10,981	9,502	9,213	10,370
Between one and two years	7,447	7,943	9,629	7,243	7,683	9,213
Between two and five years	9,048	10,772	17,276	8,925	10,569	16,824
In five years or more	-	-	1,438	-	-	1,428
	26,350	28,345	39,324	25,670	27,465	37,835
Less future finance charges	(680)	(880)	(1,489)	N/A	N/A	N/A
	25,670	27,465	37,835	25,670	27,465	37,835
Current liabilities				9,502	9,213	10,370
Non-current liabilities				16,168	18,252	27,465
				25,670	27,465	37,835

Obligations under finance leases are secured over property, plant and equipment with a net book value of £42,977,000 (2014 £45,975,000, 1 January 2014 £55,940,000)

15. Trade and other payables

	Group			Company	
	2015 £'000	2014 £'000	As at 1 January 2014 £'000	2015 £'000	2014 £'000
Trade payables	6,016	5,102	3,562	-	-
Amounts owed to group undertakings	2,379	250	21,559	5,553	44
Other taxes and social security	5,420	5,164	5,849	-	-
Hedging instruments (note 20)	916	3,549	941	-	3,549
Accruals	26,306	27,687	26,325	12	13
	41,037	41,752	58,236	5,565	3,606

Notes to the financial statements (continued)
Year ended 31 December 2015

16 Provision for accident claims

Group	2015 £'000	2014 £'000	As at 1 January 2014 £'000
At 1 January	11,059	10,768	10,615
Utilisation of provision	(4,662)	(4,968)	(4,896)
Charged to profit and loss	4,672	5,259	5,049
At 31 December	11,069	11,059	10,768

The insurance provision relates to liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount The group self-insures its fleet of buses against claims in respect of traffic accidents, subject to an overall annual limit to its liability

The directors have recognised as a liability in the accounts the undiscounted financial impact of the expected resolution of any outstanding claims on the basis of all information currently available, on a consistent basis

However, it is inherent in the nature of insurance claims that the ultimate liabilities may vary as a result of subsequent developments, so that the provision made may be excessive or insufficient There is an undiscounted unprovided loss of £3,452,000 (2014 £2,993,000, 1 January 2014 £3,569,000), which is the unprovided amount that the Company may possibly be called upon to pay to meet claims in excess of these already provided up to the maximum aggregate amount payable

The vast majority of claims are likely to be settled within five years although in a small number of cases it may take significantly longer for the final amount of liability to be established

17. Deferred tax assets / liabilities

Group	Retirement benefit obligation £'000	Hedging fair value gains / (losses) £'000	Accelerated tax depreciation £'000	Total £'000
At 1 January 2014	(1,774)	(69)	7,512	5,669
Credited to profit and loss	-	-	(267)	(267)
Charged/(credited) to other comprehensive income	69	(638)	-	(569)
At 31 December 2014	(1,705)	(707)	7,245	4,833
Credited to profit and loss	-	-	(381)	(381)
Charged to other comprehensive income	658	524	-	1,182
At 31 December 2015	(1,047)	(183)	6,864	5,634

Notes to the financial statements (continued)
Year ended 31 December 2015

17 Deferred tax assets / liabilities (continued)

Company	Hedging fair value gains / (losses) £'000	Accelerated tax depreciation £'000	Total £'000
At 1 January 2014	(69)	(4)	(73)
Charged to profit and loss	-	1	1
Credited to other comprehensive income	(638)	-	(638)
At 31 December 2014	(707)	(3)	(710)
Credited to profit and loss	-	1	1
Charged to other comprehensive income	707	-	707
At 31 December 2015	-	(2)	(2)

Details of the deferred tax assets and liabilities, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows

	Consolidated statement of financial position			Consolidated statement of comprehensive income	
	31 December 2015 £'000	31 December 2014 £'000	As at 1 January 2014 £'000	2015 £'000	2014 £'000
Deferred tax assets					
Retirement benefit obligation	1,047	1,705	1,774	658	69
Deferred tax liabilities					
Accelerated tax depreciation	(6,864)	(7,245)	(7,512)	(381)	(267)
Fair value adjustment on cash flow hedges	183	707	69	524	(638)
Deferred tax expense /(income)				**801**	**(836)**
Deferred tax liabilities net	**(5,634)**	**(4,833)**	**(5,669)**		

Reconciliation of deferred tax liabilities net

	2015 £'000	2014 £'000
Opening balance as of 1 January	**(4,833)**	**(5,669)**
Tax income during the year recognised in profit or loss	381	267
Tax (expense)/income during the year recognised in other comprehensive income	(1,182)	569
Closing balance as at 31 December	**(5,634)**	**(4,833)**

Notes to the financial statements (continued)
Year ended 31 December 2015

18. Called up share capital

	2015		2014		As at 1 January 2014	
	No. '000	£'000	No. '000	£'000	No '000	£'000
Authorised						
Ordinary shares of £1 each	61,500	61,500	61,500	61,500	-	-
Ordinary shares of 5p each	-	-	-	-	430,000	21,500
Called up, allotted and fully paid						
Ordinary shares of £1 each	61,002	61,002	61,002	61,002	-	-
Ordinary shares of 5p each	-	-	-	-	420,040	21,002

On 4 April 2014, all ordinary shares of 5p each were consolidated by conversion of 20 such shares into one new ordinary share of £1 each

On 16 June 2014, Metroline Limited allotted 40,000,000 ordinary shares with a nominal value of £1 to its parent in connection with the capital injection of £40,000,000 made by Braddell Limited

19. Financial commitments

	Group			Company	
	2015 £'000	2014 £'000	As at 1 January 2014 £'000	2015 £'000	2014 £'000
Capital commitments:					
Contracted for but not provided	7,062	6,591	2,990	-	-

Operating lease commitments:

	Land and buildings			Others		
Group	2015 £'000	2014 £'000	As at 1 January 2014 £'000	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Amounts payable under operating lease						
Within one year	1,882	2,282	2,388	5,209	7,554	8,739
Within two to five years	5,462	6,006	6,991	2,608	6,526	9,114
In five years or more	2,881	4,112	5,409	-	106	-
	10,225	12,400	14,788	7,817	14,186	17,853

Notes to the financial statements (continued)
Year ended 31 December 2015

20 Financial instruments

Note 2 provides a description of each category of financial assets and financial liabilities and the related accounting policies The carrying amounts of financial assets and liabilities in each category are as follows

Group	Note	Hedging instruments (carried at fair value) £'000	Loans and receivables (carried at amortised cost) £'000	Total £'000
At 1 January 2014				
Financial assets				
Fuel hedge		512	-	512
Interest rate hedge		86	-	86
Trade and other receivables		-	20,567	20,567
Cash and cash equivalents		-	10,017	10,017
		598	30,584	31,182

	Note	Hedging instruments (carried at fair value) £'000	Other liabilities (carried at amortised cost) £'000	Total £'000
Financial liabilities				
Current borrowings	14	-	67,870	67,870
Trade and other payables		-	13,333	13,333
Foreign currency hedge		941	-	941
Non-current borrowings	14	-	29,766	29,766
		941	110,969	111,910

Notes to the financial statements (continued)
Year ended 31 December 2015

20. Financial instruments (continued)

Group	Note	Hedging instruments (carried at fair value) £'000	Loans and receivables (carried at amortised cost) £'000	Total £'000
At 31 December 2014				
Financial assets				
Interest rate hedge		2	-	2
Foreign currency hedge		12	-	12
Trade and other receivables		-	14,172	14,172
Cash and cash equivalents		-	10,836	10,836
		14	25,008	25,022

	Note	Hedging instruments (carried at fair value) £'000	Other liabilities (carried at amortised cost) £'000	Total £'000
Financial liabilities				
Current borrowings	14	-	9,213	9,213
Trade and other payables		-	15,545	15,545
Fuel hedge		3,549	-	3,549
Non-current borrowings	14	-	18,252	18,252
		3,549	43,010	46,559

Notes to the financial statements (continued)
Year ended 31 December 2015

20. Financial instruments (continued)

Group	Note	Hedging instruments (carried at fair value) £'000	Loans and receivables (carried at amortised cost) £'000	Total £'000
At 31 December 2015				
Financial assets				
Trade and other receivables		-	13,357	13,357
Cash and cash equivalents		-	25,173	25,173
		-	38,530	38,530

	Note	Hedging instruments (carried at fair value) £'000	Other liabilities (carried at amortised cost) £'000	Total £'000
Financial liabilities				
Current borrowings	14	-	9,502	9,502
Trade and other payables		-	21,987	21,987
Fuel hedge		916	-	916
Non-current borrowings	14	-	16,168	16,168
		916	47,657	48,573

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

20 Financial instruments (continued)

A description of the Group's financial instrument risks, including risk management objectives and policies is given below

Financial risk management policies and objectives

The Group recognises that management of financial risk is an important aspect in its drive towards creating shareholder value Management oversees financial risk management and regularly reviews its policy governing risk management practices The Group's management monitors and manages the financial risks relating to the operations of the Group and seeks to minimise the effects of these risks by using hedging instruments to hedge these risk exposures It is the Group's policy not to participate in speculative financial instruments

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures these risks

Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance The Group's overall strategy remains unchanged from prior years

The capital structure of the Group consists of net debt (borrowings disclosed in note 14 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings) The Group is not subject to any externally imposed capital requirements

No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below) The Group enters into a variety of hedging instruments to manage its exposure to interest rate and foreign currency risk, including

- Forward contracts to hedge the price risk arising on highly probable future purchases of fuel,
- forward foreign exchange contracts to hedge the exchange rate risk arising on highly probable future purchases of fuel, and
- interest rate swaps to mitigate the risk of rising interest rates

20. Financial instruments (continued)

Market risk (continued)

Hedging instruments held

	Notional			Fair Value		
	2015	2014	As at 1 January 2014	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Interest rate hedges £'000	20,000	20,000	20,000	-	2	86
Foreign currency hedges £'000	-	2,356	13,680	-	12	(941)
Fuel hedges MT	6,336	22,632	11,520	(916)	(3,549)	512
				(916)	(3,535)	(343)

The Group's hedging instruments are measured at fair value and are all classified as Level 2 in the IFRS 13 fair value hierarchy, i e they are derived from inputs other than unadjusted quoted prices in active markets for identical assets or liabilities, either directly (i e as prices) or indirectly (i e derived from prices)

The fair value of interest rate swaps at the reporting date is determined by a discounted cash flow valuation discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract

The fair value of foreign currency hedges at the reporting date is determined by a discounted cash flow valuation estimating cash flows based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties

The fair value of fuel hedges at the reporting date is determined by a discounted cash flow valuation estimating cash flows based on forward fuel prices (from observable fuel prices at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties

Fuel price risk

Fuel is part of the operating cost of the Group The Group seeks to hedge the price risk associated with its fuel needs and uses hedging instruments, where necessary, to achieve the desired hedge outcome

Foreign currency risk

The Group manages its foreign exchange exposure by matching revenue and costs in the relevant currencies to create a natural hedge However the Group undertakes fuel purchase transactions linked to commodities denominated in US dollars, consequently exposures to exchange rate fluctuations arise Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts

The Group has total sterling denominated cash assets of £25,158,000 (2014 £10,828,000, 1 January 2014 £9,965,000) of which £25,199,000 (2014 £10,882,000, 1 January 2014 £9,851,000) is held on deposit in the UK at interest rates determined by those available on the day of deposit

Financial assets of £15,000 (2014 £8,000, 1 January 2014 52,000) were denominated in US Dollars, the rest were denominated in Pounds Sterling

Financial liabilities were denominated in Pounds Sterling

Notes to the financial statements (continued)
Year ended 31 December 2015

20 Financial instruments (continued)

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates The Group's primary interest rate risk relates to its borrowings The Group uses hedging instruments such as interest rate swaps and caps, where necessary, to achieve the desired interest rate profile in its effort to manage interest rate risk The Group sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments which have the economic effect of converting borrowings from floating rates to fixed rates

Interest rate risk profile of financial liabilities at 31 December 2015.

	Floating rate financial liabilities	Floating rate financial liabilities	Floating rate financial liabilities
			As at 1 January
	2015	2014	2014
	£'000	£'000	£'000
Hire purchase and finance leases	25,670	27,465	37,835
Bank loans	-	-	59,801
	25,670	27,465	97,636

The Group's floating rate financial liabilities amount to £25,670,000 (2014 £27,465,000, 1 January 2014 £97,636,000) Various Bank Base Rates are used as the benchmark rate in determining interest on £25,670,000 (2014 £27,465,000, 1 January 2014 £37,835,000) in hire purchase agreements which are included in total financial liabilities All borrowings are on a floating rate and the weighted average interest rate is 1 74% (2014 1 82%, 1 January 2014 1 32%) The benchmark rate for determining interest on the Group's remaining floating rate financial liabilities, namely bank loans of £nil (2014 £nil, 1 January 2014 £59,801,000) is LIBOR

20. Financial instruments (continued)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for hedging instruments at the balance sheet date For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year A 1% increase or decrease represents management's assessment of the reasonably possible change in interest rates

Based on sensitivity analysis performed at the end of the reporting period, management has assessed that the exposure to changes in interest rates is minimal and hence the resulting impact on the profit or other comprehensive income of the Group is insignificant

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities See note 15 for details of additional undrawn facilities that the Group has at its disposal

Maturity of financial liabilities·

The Group's non-borrowing related financial liabilities are all due within one year

The maturity of the Group's financial liabilities at 31 December 2015 was as follows

	2015 £'000	2014 £'000	As at 1 January 2014 £'000
In one year or less, or on demand	9,502	9,213	67,870
In more than one year but not more than two	7,243	7,683	9,213
In more than two years, but not more than five	8,925	10,569	19,125
In more than five years	-	-	1,428
	25,670	27,465	97,636

21. Retirement benefit obligations

A. Defined contribution scheme

The Group operates a defined contribution pension scheme The charge for the scheme in 2015 is £4,166,000 (2014 £4,100,000) The contributions outstanding at the year end amounted to £nil (2014 £nil)

B. Defined benefit schemes

Metroline and Metroline London Northern Pension Schemes

The Group operates two UK registered trust based pension schemes that provide defined benefits Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier) The Trustees are responsible for running the Schemes in accordance with the Schemes' Trust Deed and Rules, which sets out their powers The Trustees of the Schemes are required to act in the best interests of the beneficiaries of the Schemes There is a requirement that one-third of the Trustees are nominated by the members of the Schemes

There are two categories of pension scheme members

Deferred members those who have not retired and are not in receipt of a pension

Pensioner members in receipt of pension

The defined benefit obligation is valued by projecting the best estimate of future benefit outflow (allowing for revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date The majority of benefits receive increases linked to inflation (subject to a cap of no more than 5 0% pa) The valuation method used is known as the Accrued Benefit Method The approximate overall duration of the Schemes' defined benefit obligation as at 31 December 2015 was 17 to 19 years

Both schemes are now closed to new entrants On 28 February 2007 the schemes were closed to future accrual (with the exception of those members whose retirement date was no later than 31 January 2008) This means that their benefit entitlements no longer increase in line with their length of service and salary

21. Retirement benefit obligations (continued)

Future funding obligation

The Trustees are required to carry out an actuarial valuation every three years

The last actuarial valuation of the Metroline Pension Scheme was performed by the Scheme Actuary for the Trustees as at 31 March 2013 In respect of the deficit in the Scheme as at 31 March 2013, the Company has agreed to pay £623,000 pa increasing at an agreed rate every 1 June for 9 years and 9 months The Company expects to pay £658,000 to this Scheme during the accounting year beginning 1 January 2016

The last actuarial valuation of the Metroline London Northern Pension Scheme was performed by the Scheme Actuary for the Trustees as at 5 April 2013 In respect of the deficit in the Scheme as at 5 April 2013, the Company has agreed to pay £542,000 pa increasing at an agreed rate every 1 June for 10 years The Company expects to pay £574,000 to this Scheme during the accounting year beginning 1 January 2016

Risks

The Directors do not believe that the schemes are exposed to any unusual entity-specific or plan-specific risks or concentrations of risk beyond those applicable to all defined benefit pension schemes

Assumptions

The results of the most recent formal actuarial valuation as at 31 March 2013 (Metroline Pension Scheme) and as at 5 April 2013 (Metroline London Northern Pension Scheme) have been updated to 31 December 2015 by a qualified independent actuary The assumptions used are in note 21 (i) stated below

21. Retirement benefit obligations (continued)

(i) Principal actuarial assumptions at the reporting date were as follows:

	2015	2014
Rate of increase in salaries (%)	-*	-*
Annual rate of pension increases – in deferment (%)	1 90	1 90
Annual rate of pension increases - in payment (%)	2 90	2 90
Assumed life expectancies (in years) on retirement at age 65 are		
Retiring today		
- Males	19 6	19 5
- Females	21 5	21 7
Retiring in 20 years' time		
- Males	20 8	20 8
- Females	23 0	23 1
Life expectancies are based on the following published mortality tables		
– current pensioners	S2PA CMI_2014_M/F (YOB) rated by 3 years	S1PA CMI_2013_M/F (YOB) rated by 3 years
– non-pensioners	S2PA CMI_2013_M/F (YOB) rated by 3 years	S1PA CMI_2013_M/F (YOB) rated by 3 years
Inflation assumption - RPI (%)	3 00	3 00
Inflation assumption - CPI (%)	1 90	1 90
Discount rate for future pension liabilities (%)	3 90	3 60

* As there are no members with benefits related to future salary progression, no assumption needs to be made with regard to salary increases

21. Retirement benefit obligations (continued)

(ii) The amounts recognised in the statement of financial position are as follows:

	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Present value of pension liability	(68,061)	(71,048)	(62,718)
Fair value of pension fund assets	62,826	62,522	54,270
Deficit	(5,235)	(8,526)	(8,448)
Liability recognised in the statement of financial position	(5,235)	(8,526)	(8,448)
Related deferred tax asset	1,047	1,705	1,774

(iii) The amounts recognised in profit and loss are as follows:

	2015 £'000	2014 £'000
Net interest	286	365
Scheme administrative expenses	127	149
Amount charged to profit and loss	413	514

(iv) The amounts recognised in the statement of comprehensive income (OCI) are as follows:

Actuarial adjustments	2015 £'000	2014 £'000
Actuarial gains/(losses) on liabilities	3,040	(8,009)
(Loss)/return on assets excluding amounts included in net interest	(825)	7,022
Actuarial adjustment recognised in OCI	2,215	(987)

21. Retirement benefit obligations (continued)

(v) Changes in the present value of the defined benefit obligation are as follows

	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Opening pension obligation	(71,048)	(62,718)	(56,419)
Interest costs on liability	(2,514)	(2,824)	(2,505)
Adjustments from changes in actuarial assumptions	3,040	(8,009)	(5,317)
Benefits paid to pension scheme members	2,461	2,503	1,523
Closing defined benefit obligation	(68,061)	(71,048)	(62,718)

(vi) Changes in the fair value of the schemes' assets are as follows

	2015 £'000	2014 £'000	As at 1 January 2014 £'000
Opening fair value of the schemes' assets	62,522	54,270	48,613
Interest income on schemes' assets	2,228	2,459	2,227
(Loss)/return on schemes' assets less interest	(653)	7,148	3,612
Contributions by the company to the schemes	1,190	1,148	1,341
Benefits paid to pension scheme members	(2,461)	(2,503)	(1,523)
Closing fair value of the schemes' assets	62,826	62,522	54,270

All contributions with the exception of a fixed monthly contribution have now ceased Current monthly contributions are £100,600 per month and are due to increase to £104,200 per month from June 2016

21. Retirement benefit obligations (continued)

(vii) The major categories of assets for Metroline and Metroline London Northern Pension Schemes are invested as follows:

	Fair Value at 31/12/15 £'000	Percentage of fair value of the total schemes' assets 31/12/15 %	Fair Value at 31/12/14 £'000	Percentage of fair value of the total schemes' assets 31/12/14 %
Equities	34,977	55 67	32,025	51 22
Bonds	24,067	38 31	27,060	43 28
Property	3,647	5 80	3,204	5 13
Cash	135	0 22	233	0 37
Total market value of assets	62,826	100 00	62,522	100 00
Present value of the schemes' liabilities	(68,061)		(71,048)	
Combined deficit in the schemes	(5,235)		(8,526)	

The actual return on assets over the period was 2 5% (2014 17 7%)

The schemes' assets do not directly include any of the Group's financial instruments, nor any property occupied by, or other assets used by the Group

Notes to the financial statements (continued)
Year ended 31 December 2015

22. Contingent liabilities

All material companies in the Metroline Group are party to a cross guarantee in favour of the Group's bankers The Group has drawn down £nil (2014 £nil, 1 January 2014 £2,301,000) from a £11,301,000 revolving credit facility as at 31 December 2015

Metroline Limited has guaranteed certain hire purchase, insurance liabilities and operating leases of Metroline Travel Limited and Metroline West Limited which amounted to £43,687,000 at the year end (2014 £50,866,000, 1 January 2014 £64,957,000)

Amounts contracted for but not provided in the financial statements amounted to £7,164,000 (2014 £6,591,000, 1 January 2014 £2,990,000)

23. Ultimate parent company and controlling party

The parent company and the controlling party of the smallest and largest group of which the Company is a member and for which Group financial statements are prepared at the balance sheet date is Braddell Limited, a company incorporated in Great Britain and ComfortDelGro Corporation Limited, a company incorporated in Singapore, respectively Copies of its financial statements can be obtained from 205 Braddell Road, Singapore 579701

24. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note Transactions between the group and its associates are disclosed below

The following amounts were outstanding at the balance sheet date

	Amounts owed by related parties			Amounts due to related parties		
	2015	2014	As at 1 January 2014	2015	2014	As at 1 January 2014
	£'000	£'000	£'000	£'000	£'000	£'000
Scottish Citylink Coaches Limited	171	170	352	-	-	-
Westbus Coach Services Limited	-	-	1	-	-	-
Computer Cab plc	82	2	38	1	1	8
Cityfleet Networks Limited	-	4	12	-	-	-
Flightlink International Limited	-	-	-	1	1	2

No trading transactions took place during the year between group companies and Scottish Citylink Coaches Limited The amounts outstanding are unsecured and will be settled in cash No guarantees have been given or received No provisions have been made for doubtful debts in respect of the amounts owed by related parties

Details of the remuneration of the directors, who are the Group's key management personnel, are given in note 4

Notes to the financial statements (continued)
Year ended 31 December 2015

25. Transition to IFRS

The Group applied IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) in preparing these first IFRS consolidated financial statements for the year ended 31 December 2015 The Accounts have been prepared under IFRS from 1 January 2015 with the comparative numbers for the year ended 31 December 2014 restated with an effective transition date of 1 January 2014 The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in this section and are further explained in the notes that accompany the tables

The effect of the Company's transition to IFRS, described in note 2, is summarized in this note as follows
(i) Transition elections,
(ii) Reconciliation of equity and comprehensive income as previously reported under UK GAAP to IFRS, and
(iii) Adjustments to the statement of cash flows

(i) Transition elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS

As described in note 25(ii)	
Hedge accounting	(a)
Business combinations	(b)
Employee benefits – treatment of actuarial gains and losses	(d)
Employee benefits – comparative period disclosures	(d)

(ii) Reconciliation of equity and comprehensive income as previously reported under UK GAAP to IFRS

The total effect on retained earnings and equity is analysed as follows

	Note	1 January 2014 £'000	31 December 2014 £'000
Equity as reported under UK GAAP		**88,324**	**128,150**
Transition adjustments recorded in profit and loss			
Reversal of goodwill amortisation	b	-	2,711
Employee future benefits – schemes expenses paid by company (non-investment)	d	-	(149)
Employee future benefits – interest expense on schemes' assets	d	-	(382)
Effect of transition to IFRS on profit and loss		**-**	**2,180**
Transition adjustments recorded in other comprehensive income:			
Recognition of fair value adjustment on cash flow hedges			
- Fuel hedges	a	512	(3,549)
- Interest rate hedges	a	86	2
- Foreign currency hedges	a	(941)	12
Deferred income tax on cash flow hedging reserve	c	69	707
Employee future benefits – interest expense on schemes' assets	d	-	382
Employee future benefits – schemes expenses paid by company (non-investment)	d	-	149
Effect of transition to IFRS on other comprehensive income		**(274)**	**(2,297)**
Total effect on equity		**(274)**	**(117)**
Equity as reported under IFRS		**88,050**	**128,033**

25 Transition to IFRS (continued)

(ii) Reconciliation of equity and comprehensive income as previously reported under UK GAAP to IFRS (continued)

Explanatory notes

(a) Hedge accounting
The fair value of hedging instruments held by the Company is recognised under IFRS and was not recognised under UK GAAP The contracts, which were designated as hedging instruments under UK GAAP, have been designated as at the date of transition to IFRS as hedging instruments in cash flow hedges of either expected future sales for which the group has firm commitments or expected purchases from suppliers that are highly probable The corresponding adjustment has been recognised as a separate component of equity, in the cash flow hedge reserve

The Company held fuel hedges, forward foreign exchange contracts and interest rate swaps relating to the Company's variable rate debt instruments at the transition date as hedges of cash flow risk As a result, changes in the fair value of the swaps occurring after 1 January 2014 under IFRS are recognised directly in "other comprehensive income" At the date of transition to IFRS, £343,000 (31 December 2014 - £3,535,000) and associated deferred tax of £69,000 (31 December 2014 - £707,000) recognised in 'Other comprehensive income' and also recognised in 'Cash flow hedging reserve'

In accordance with IFRS transition requirements, gains and losses on the swaps arising prior to 1 January 2014 continue to be recognised in accumulated other comprehensive income pending the occurrence of the hedged transactions

(b) Business combinations
In accordance with IFRS transitional provisions, the Company has elected to apply IFRS relating to business combinations prospectively from 1 January 2014 As such, UK GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without adjustment This has resulted in the reversal of £2,711,000 amortisation of goodwill for the year ended 31 December 2014

(c) Deferred tax
The various transitional adjustments lead to different temporary differences According to the accounting policies in Note 2, the Group has to account for such differences Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity At the date of transition to IFRS, an increase of £69,000 (31 December 2014 - £707,000) was recognised in deferred tax liabilities This amount has been recognised against 'Cash flow hedging reserve'

(d) Employee benefits – treatment of actuarial gains and losses
Under UK GAAP, the expected return on assets was used to derive the finance charge However, under IFRS, the expected return on assets is no longer used to derive the finance charge Instead, the discount rate at the beginning of the accounting period is applied to the assets to calculate an interest income and to the liabilities to derive the interest cost Based on the Scheme's investment strategy, this has resulted in a higher charge to profit and loss The difference between the actual investment return and the interest income will be reflected in 'Other comprehensive income' This has resulted in an additional £382,000 finance cost being charged to profit and loss for the year ended 31 December 2014

Under UK GAAP, the expected return on assets and actuarial gains and losses were adjusted by the defined benefit schemes expenses paid by the Company and included within equity Under IFRS, the non-investment related scheme expenses paid by the Company are charged to profit and loss as operating expenses This has resulted in an additional £149,000 being charged to profit and loss for the year ended 31 December 2014

(iii) Adjustments to the statement of cash flows

The transition from UK GAAP to IFRS had no significant impact on cash flows generated by the Company Under UK GAAP, the Company was exempt under FRS 1 (revised 1996) 'Cash flow statements' from the requirement to prepare a cash flow statement