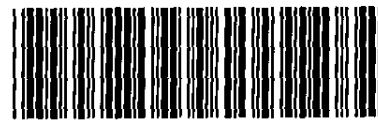


Company Registration No. 2826284

Metroline Limited

**Annual Report and Financial Statements
for the year ended 31 December 2017**

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Metroline Limited

Annual Report and Financial Statements for the year ended 31 December 2017

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Metroline Limited

Corporate Information for the year ended 31 December 2017

Directors

Lim Jit Poh
Kua Hong Pak (resigned 1 January 2018)
Yang Ban Seng (appointed 1 May 2017)
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, Aldermay House
10-15 Queen Street
London EC4N 1TX

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
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 8, the Group's revenue has decreased in the year by £4m (1%) and profit after tax decreased by £6.4m (23%) as a result of the impact on London Bus Revenue from contract pricing and increasing tendering pressures.

The Group's statement of financial position on page 11 and page 12 shows the Group's net asset position at £215m at the end of the year (2016: £191m).

The average staff numbers decreased by 0.2% over the year, averaging 5,569 in 2017 (2016: 5,578) although ending the year lower at 5,408.

The results of the Group for the year ended 31 December 2017 show a pre-tax profit of £26,782,000 (2016: £34,467,000) and revenue of £380,016,000 (2016: £384,018,000). The Group has net assets of £215,120,000 (2016: £190,571,000).

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.

The number and size of insurance claims falling within the Company's self-insured excess and policy terms with these risks managed through passenger and employee safety programs.

Key Performance Indicators

The overall performance of the business is measured in financial terms in conjunction with non-financial metrics that are used in assessing operational performance.

Financial	2017	2016	
Turnover (£ms)	380.0	384.0	
Operating Profit (£ms)	26.9	36.8	
Operating Profit Margin (%)	7.1%	9.6%	
Non-Financial	2017	2016	Definition
Operated Mileage	99.54%	99.35%	Level of mileage under contract delivered
Net Route Awards tendering	+5	(3)	New Routes awarded net of routes lost through tendering

Metroline Limited

Strategic report (continued)

Quality Incentive Contract bonuses received increased year on year as a result of improved punctuality across the routes operated.

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.

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.

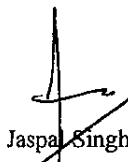
Further details regarding the adoption of the going concern basis can be found in the accounting policy note 2.

Post balance sheet events

There have been no significant events affecting the group since the year end.

Approval

This report was approved by the Board of Directors on June 2018 and signed on its behalf by:


Jaspal Singh
Director
12 June 2018

Metroline Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2017. Details of the Group's financial risk management objectives and policies and likely future developments can be found within the principal risks and uncertainties section of the Strategic Report and form part of this report by cross-reference.

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 23). 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.

Dividends

The directors do not recommend payment of a dividend (2016: nil).

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
12 June 2018

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.

Metroline Limited

Independent auditor's report to the members of Metroline Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Metroline Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

-
- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 24.

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 parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Metroline Limited

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

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Metroline Limited

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Sukhbinder Kooner (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

2018

Metroline Limited

Consolidated income statement Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Revenue	3	380,016	384,018
Cost of sales		(325,778)	(320,594)
Gross profit		54,238	63,424
Administrative expenses		(27,385)	(28,534)
Operating profit	5	26,853	34,890
Finance income	6	29	109
Finance costs	7	(100)	(532)
Profit before taxation		26,782	34,467
Income tax expense	8	(5,016)	(6,348)
Profit for the year		21,766	28,119
Attributable to:			
Shareholders of the Company		21,766	28,119

Metroline Limited

Consolidated statement of comprehensive income **Year ended 31 December 2017**

	Note	2017 £'000	2016 £'000
Profit for the year		21,766	28,119
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial adjustment on defined benefit pension schemes	21	3,693	913
Deferred tax charge on actuarial adjustment	8b,17	(910)	(439)
		<u>2,783</u>	<u>474</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value adjustment on cash flow hedges	20	-	916
Deferred tax charge on fair value adjustment on cash flow hedges	8b,17	-	(183)
		<u>-</u>	<u>733</u>
Other comprehensive income for the year		<u>2,783</u>	<u>1,207</u>
Total comprehensive income for the year		<u>24,549</u>	<u>29,326</u>
Attributable to:			
Shareholders of the Company		<u>24,549</u>	<u>29,326</u>

Metroline Limited

Consolidated statement of financial position As at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Goodwill	9	49,280	49,280
Property, plant and equipment	10	200,984	170,918
Deferred tax assets	17	-	608
Retirement benefit asset	21	1,777	-
Total non-current assets		<u>252,041</u>	<u>220,806</u>
Current assets			
Inventories	12	2,412	2,847
Trade and other receivables	13	26,338	32,738
Cash and cash equivalents		13,563	8,309
Total current assets		<u>42,313</u>	<u>43,894</u>
Total assets		<u><u>294,354</u></u>	<u><u>264,700</u></u>

Metroline Limited

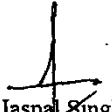
Consolidated statement of financial position (continued)

As at 31 December 2017

Liabilities and equity	Note	2017 £'000	2016 £'000
Current liabilities			
Trade and other payables	15	37,665	34,917
Borrowings	14	3,176	-
Deferred revenue		4,870	15,715
Income tax payable		1,934	2,480
Provision for accident claims	16	10,589	10,669
Total current liabilities		58,234	63,781
Non-current liabilities			
Borrowings	14	12,438	-
Deferred tax liabilities	17	8,562	7,149
Retirement benefit obligation	21	-	3,199
Total non-current liabilities		21,000	10,348
Total liabilities		79,234	74,129
Equity			
Issued share capital	18	61,002	61,002
Share premium account		24,272	24,272
Capital redemption reserve		100	100
Revaluation reserve		905	905
Retained earnings		141,211	119,445
Retirement benefit reserve		(12,370)	(15,153)
Equity attributable to shareholders of the Company		215,120	190,571
Total equity		215,120	190,571
Total liabilities and equity		294,354	264,700

The financial statements of Metroline Limited, registered number 2826284, were approved by the Board of Directors on 12th June 2018.

Signed on behalf of the Board of Directors


 Jaspal Singh
 Director

Metroline Limited

Consolidated statement of changes in equity Year ended 31 December 2017

	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 2016	61,002	24,272	100	905	(733)	(15,627)	91,326	161,245
Profit for the year	-	-	-	-	-	-	28,119	28,119
Other comprehensive income for the year	-	-	-	-	733	474	-	1,207
Total comprehensive income for the year	-	-	-	-	733	474	28,119	29,326
Balance at 31 December 2016	61,002	24,272	100	905	-	(15,153)	119,445	190,571
Profit for the year	-	-	-	-	-	-	21,766	21,766
Other comprehensive income for the year	-	-	-	-	-	2,783	-	2,783
Total comprehensive income for the year	-	-	-	-	-	2,783	21,766	24,549
Balance at 31 December 2017	61,002	24,272	100	905	-	(12,370)	141,211	215,120

Metroline Limited


Company statement of financial position As at 31 December 2017


Company	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	-	-
Investments	11	101,401	101,401
Deferred tax assets	17	2	2
Total non-current assets		101,403	101,403
Current assets			
Trade and other receivables	13	5,166	5,411
Cash and cash equivalents		368	123
Total current assets		5,534	5,534
Total assets		106,937	106,937
Liabilities and equity			
Current liabilities			
Trade and other payables	15	5,565	5,565
Total liabilities		5,565	5,565
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	15,998
Total equity		101,372	101,372
Total liabilities and equity		106,937	106,937

No income statement is presented for Metroline Limited as permitted by section 408 of the Companies Act 2006.
The profit for the Company was £nil (2016: £nil).

The financial statements of Metroline Limited, registered number 2826284, were approved by the Board of Directors on 12 June 2018.

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 2017

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 2016	61,002	24,272	100	-	15,998	101,372
Profit for the year	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-
Balance at 31 December 2016 and 31 December 2017	61,002	24,272	100	-	15,998	101,372

Metroline Limited

Consolidated statement of cash flows Year ended 31 December 2017

	2017 £'000	2016 £'000
Operating activities		
Profit before taxation	26,782	34,467
Adjustments for:		
Depreciation of property, plant and equipment	21,596	19,790
Interest income	(29)	(109)
Finance costs	100	532
Reversal of provision for impairment of property, plant and equipment	-	(295)
Gain on disposal of property, plant and equipment	(27)	(40)
Foreign exchange (gain)/loss on currency translation	-	(1)
Operating cash flows before movements in working capital	48,422	54,344
Working capital adjustments:		
Inventories	435	(126)
Trade receivables	10	448
Other receivables and prepayments	5,561	1,697
Trade and other payables	(1,895)	(6,139)
Other liabilities	(11,040)	(2,344)
Changes in working capital – Group undertakings	4,057	636
Cash generated from operations	45,550	48,516
Income tax paid	(4,297)	(7,110)
Net cash from operating activities	41,253	41,406
Investing activities		
Purchase of property, plant and equipment	(51,748)	(32,504)
Less: Vehicles & equipment purchased under hire purchase arrangements	15,878	-
Proceeds from disposal of property, plant and equipment	125	153
Cash payments on purchase of property, plant and equipment	(35,745)	(32,351)
Interest received	29	109
Net cash used in investing activities	(35,716)	(32,242)
Financing activities		
New loans raised	11,000	7,000
Repayment of borrowings	(11,000)	(7,000)
Payment of finance lease liabilities	(265)	(25,670)
Interest paid	(6)	(76)
Interest element of finance lease payment	(12)	(282)
Net cash flows used in financing activities	(283)	(26,028)
Net increase/(decrease) in cash and cash equivalents	5,254	(16,864)
Cash and cash equivalents at beginning of year	8,309	25,173
Cash and cash equivalents at end of year	13,563	8,309

Metroline Limited

Consolidated statement of cash flows (continued) Year ended 31 December 2017

Net Debt Reconciliation

Net Debt	2017	2016
	£'000	£'000
Cash and cash equivalents	13,563	8,309
Borrowings - repayable within one year	(3,176)	-
Borrowings - repayable after one year	(12,438)	-
Net Debt	<u>(2,051)</u>	<u>8,309</u>
Cash and cash equivalents	13,563	8,309
Gross debt - fixed interest rates	(15,614)	-
Net Debt	<u>(2,051)</u>	<u>8,309</u>

	Cash	Finance leases due after 1 year	Total
Net Debt as at 31/12/2016	8,309	-	8,309
Cash flows	5,254	265	5,519
Non-cash movements	-	(15,879)	(15,879)
Net Debt as at 31/12/2017	<u>13,563</u>	<u>(15,614)</u>	<u>(2,051)</u>

Metroline Limited

Consolidated statement of cash flows (continued) Year ended 31 December 2017

(a) Reconciliation of net cash flow to movement in net debt

	2017 £'000	2016 £'000
Increase/(decrease) in cash in the year	5,254	(16,864)
Payment of finance lease liabilities	265	25,670
Change in net debt resulting from cash flows	5,519	8,806
New finance leases	(15,879)	-
Movement in net debt in the year	(10,360)	8,806
Opening net debt	8,309	(497)
Closing net debt	(2,051)	8,309

(b) Analysis of net debt

	2016 £'000	Cash flow £'000	Other non- cash changes £'000	2017 £'000
Cash and cash equivalents	8,309	5,254	-	13,563
Finance leases	-	265	(15,879)	(15,614)
Total	8,309	5,519	(15,879)	(2,051)

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

1. General information

Metroline Limited (Registration no. 2826284) is registered in England and incorporated in the United Kingdom with registered office at ComfortDelGro House, 329 Edgware Road, Cricklewood, London NW2 6JP. Metroline Limited is a 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 2017 (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 June 2018.

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

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.

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.

The Company's individual financial statements have been prepared in accordance with FRS 101 "Reduced Disclosure Framework". 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.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

2. Summary of significant accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 31 December 2017. 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.

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 to 14 years
Plant and machinery	1 to 10 years
Leasehold land and leasehold improvements	Over the life of the lease

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

2. Summary of significant accounting policies (continued)

Investments

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

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.

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.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

2. Summary of significant accounting policies (continued)

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.

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 profit and loss 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 current liabilities.

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.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

2. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a principal party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

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.

Trade and other payables

Trade and other payables are measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded when the proceeds are received net of direct issue costs.

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.

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.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

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 risk 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.

Adoption of new and revised standards

In the current year, the Group 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 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Loss
- Annual Improvements to IFRSs 2014-2016 Cycle

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

2. Summary of significant accounting policies (continued)

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 2 (amendments) – Classification and Measurement of Share-based Payment Transactions
- IFRS 4 – Applying IFRS 9 Financial Instrument with IFRS 4 Insurance Contracts
- IAS 40 (amendments) – Transfers of Investment Property
-
- IFRS 10 and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs 2014- 2016 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

- IFRS 15 'Revenue from Contracts with Customers' sets out revenue recognition conditions for the Group and will be applicable from 1 January 2018. Management have determined that there will no material impact on the Group financial statement.
- IFRS 16 'Leases' was issued in January 2016 with an effective date of 1 January 2019. The standard specifies how leases are recognised, presented, measured and disclosed. It is expected that the Group's lease commitments will be brought onto the Balance Sheet together with corresponding assets. This is likely to impact on the timing of the recognition of lease costs within the Income Statement although it will not affect the Group's cash flows.

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.

Metroline Limited

Notes to the financial statements **Year ended 31 December 2017**

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. At 31 December 2016, as a result of an assessment of the market for hybrid buses, the Group reassessed the useful life of its hybrid buses at 14 years (previously 12 years) from the date of acquisition. This had the effect of decreasing the depreciation expense for the year ended 31 December 2016 by £389,000 and will have the effect of decreasing the depreciation expense by £837,000 for each of the next 8 years.

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 reporting 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.

	2017	2016
	£'000	£'000
Bus revenue	380,016	384,018
Finance income (note 6)	29	109
Total revenue	<u>380,045</u>	<u>384,127</u>
Operating profit	<u>26,853</u>	<u>34,890</u>

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

4. Information regarding directors and employees

Group	2017 £'000	2016 £'000
Directors' remuneration		
Emoluments	515	300
Company contributions to money purchase pension schemes	32	20
	<u>547</u>	<u>320</u>
Highest paid director		
Emoluments	495	280
Company contributions to money purchase pension schemes	32	20
	<u>527</u>	<u>300</u>

	Group 2017 No.	2016 No.
Average number of persons employed (including directors)		
Operating staff	4,687	4,695
Engineering	287	290
Administration	595	593
	<u>5,569</u>	<u>5,578</u>

	Group 2017 £'000	2016 £'000
Staff costs during the year (including directors)		
Wages and salaries	207,339	202,137
Social security costs	21,404	21,487
Pension costs	4,236	4,008
	<u>232,979</u>	<u>227,632</u>

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 (2016: 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.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

5. Group operating profit

	2017	2016
	£'000	£'000
Group operating profit is stated after charging/(crediting):		
Depreciation:		
Assets owned	21,172	19,790
Assets held under finance leases and hire purchase contracts	424	-
Rentals under operating leases:		
Land and buildings	3,688	3,478
Buses	5,349	7,024
Plant and machinery	147	160
Reversal of provision for impairment of property, plant and equipment – owned assets	-	(295)
Gain on disposal of property, plant and equipment	(27)	(40)
	<u> </u>	<u> </u>

Auditor's remuneration	2017	2016
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>77</u>	<u>77</u>
Total audit fees	77	77
Tax compliance fees	<u>29</u>	<u>29</u>
Total fees	<u>106</u>	<u>106</u>

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

6. Finance income

	2017 £'000	2016 £'000
Bank interest	<u>29</u>	<u>109</u>

7. Finance costs

	2017 £'000	2016 £'000
Net interest on pension scheme liabilities	69	180
Bank loans	6	76
Finance leases and hire purchase contracts	24	266
Other interest	<u>1</u>	<u>10</u>
	<u>100</u>	<u>532</u>

8. Income tax expense

a) Tax expense:

	2017 £'000	2016 £'000
Current tax expense		
Current tax on profits for the year	3,995	6,188
Adjustments in respect of prior years	<u>(90)</u>	<u>(125)</u>
Total current tax charge	3,905	6,063
Deferred tax		
Origination and reversal of temporary differences (note 17)	<u>1,111</u>	<u>285</u>
Income tax expense reported in the income statement	<u>5,016</u>	<u>6,348</u>

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

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:

	2017 £'000	2016 £'000
Profit before taxation	26,782	34,467
Income tax expense calculated at standard rate of 19.25% (2016: 20%)	5,155	6,893
Factors affecting charge for the year:		
Disallowable expenses	1,131	241
Capital allowances for the year in excess of depreciation	(933)	(437)
Short-term timing differences arising in the year	(247)	(224)
Adjustments in respect of prior years	(90)	(125)
Total tax charge for the year	<u>5,016</u>	<u>6,348</u>
Effective rate	18.7%	18.4%

b) Income tax recognised in other comprehensive income

	2017 £'000	2016 £'000
Deferred tax		
Deferred tax related to items charged to other comprehensive income during the year:		
Fair value adjustment on cash flow hedges	-	183
Actuarial adjustment on defined benefit pension schemes	910	439
Income tax charged directly to other comprehensive income	<u>910</u>	<u>622</u>

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

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these consolidated financial statements. Temporary differences are expected to be reversed after 1 April 2020 and, as such, deferred tax balances as at 31 December 2017 have been recognised at 17% (2016: 17%).

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

9. Goodwill

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

Group	£'000
Cost and net book value	
At 31 December 2017	49,280
At 31 December 2016	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 (2016: £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 pre-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 5.7% (2016: 5.7%). 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 rate that does not exceed the average long-term growth rate for the relevant markets. The long term growth rate used was 1.5% (2016: 1.1%).

Metroline Limited

Notes to the financial statements **Year ended 31 December 2017**

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 2016	27,785	13,170	221,244	19,125	281,324
Additions	1,193	448	29,111	1,753	32,505
Disposals	-	-	(4,411)	(19)	(4,430)
Reclassifications	348	(363)	-	15	-
At 31 December 2016	29,326	13,255	245,944	20,874	309,399
Additions	3,213	500	47,235	800	51,748
Disposals	-	-	(4,777)	-	(4,777)
Reclassifications	(192)	47	-	145	-
Transfers	-	12	-	-	12
At 31 December 2017	32,347	13,814	288,402	21,819	356,382
Accumulated depreciation and impairment					
At 1 January 2016	5,454	5,285	97,649	14,909	123,297
Charge for the year	555	555	17,548	1,132	19,790
Disposals	-	-	(4,297)	(14)	(4,311)
Reversal of provision for impairment	-	-	(295)	-	(295)
Reclassifications	25	(26)	-	1	-
At 31 December 2016	6,034	5,814	110,605	16,028	138,481
Charge for the year	765	597	19,026	1,208	21,596
Disposals	-	-	(4,679)	-	(4,679)
Reclassifications	(22)	(6)	-	28	-
At 31 December 2017	6,777	6,405	124,952	17,264	155,398
Net book value					
At 31 December 2017	25,570	7,409	163,450	4,555	200,984
At 31 December 2016	23,292	7,441	135,339	3,846	170,918

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

10. Property, plant and equipment (continued)

Company	Leasehold improve- ments £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2017 and 31 December 2017	216	306	522
Accumulated depreciation			
At 1 January 2017 and 31 December 2017	216	306	522
Net book value			
At 1 January 2017 and 31 December 2017	-	-	-

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

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
At 31 December 2016	
Cost	-
Accumulated depreciation	-
Net book value	-
At 31 December 2017	
Cost	15,932
Accumulated depreciation	(424)
Net book value	15,508

11. Investments

Company	2017	2016
	£'000	£'000
Cost		
At 1 January and 31 December	111,978	111,978
Impairment		
At 1 January and 31 December	(10,577)	(10,577)
Net book value	101,401	101,401

All of the investments are unlisted.

Metroline Limited

Notes to the financial statements

Year ended 31 December 2017

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 %	
			2017	2016
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	
	2017	2016
	£'000	£'000
Bus maintenance stocks	1,544	2,027
Fuel stocks	868	820
	<u>2,412</u>	<u>2,847</u>

The cost of inventories recognised as an expense and included in cost of sales was £56,779,000 (2016: £53,115,000). This includes an amount of £nil (2016: £nil) resulting from write down of inventories.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

13. Trade and other receivables

	Group		Company	
Current	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	600	610	-	-
Amounts owed by group undertakings	584	243	5,166	5,411
VAT receivable	3,478	2,167	-	-
Prepayments	3,534	3,899	-	-
Accrued income	18,079	25,761	-	-
Other receivables	63	58	-	-
	<u>26,338</u>	<u>32,738</u>	<u>5,166</u>	<u>5,411</u>

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. TfL accounts for 96% (2016: 98%) of trade receivables and accrued income and the Group regards the credit risk arising from TfL to be limited as it is a UK government body. 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.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

14. Borrowings

Finance lease obligations

	Group		Group	
	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts payable under finance leases:				
Within one year	3,437	-	3,176	-
Between one and two years	3,379	-	3,176	-
Between two and five years	9,519	-	9,262	-
	<u>16,335</u>	<u>-</u>	<u>15,614</u>	<u>-</u>
Less: future finance charges	(721)	-	N/A	N/A
	<u>15,614</u>	<u>-</u>	<u>15,614</u>	<u>-</u>
Current liabilities			3,176	-
Non-current liabilities			12,438	-
			<u>15,614</u>	<u>-</u>

Obligations under finance leases were secured over property, plant and equipment with a net book value of £15,508,000 (2016: £nil).

15. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade payables	4,084	5,235	-	-
Amounts owed to group undertakings	7,697	3,146	5,553	5,553
Other taxes and social security	5,326	5,518	-	-
Accruals	20,558	21,018	12	12
	<u>37,665</u>	<u>34,917</u>	<u>5,565</u>	<u>5,565</u>

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

16. Provision for accident claims

Group	2017 £'000	2016 £'000
At 1 January	10,669	11,069
Utilisation of provision	(4,403)	(4,572)
Charged to profit and loss	4,323	4,172
At 31 December	10,589	10,669

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 £3,174,000 (2016: £3,278,000), 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 asset / (obligation) £'000	Hedging fair value gains / (losses) £'000	Accelerated tax depreciation £'000	Total £'000
At 1 January 2016	(1,047)	(183)	6,864	5,634
Charged to profit and loss	-	-	285	285
Charged to other comprehensive income	439	183	-	622
At 31 December 2016	(608)	-	7,149	6,541
Charged to profit and loss	-	-	1,111	1,111
Charged to other comprehensive income	910	-	-	910
At 31 December 2017	302	-	8,260	8,562

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

17. Deferred tax assets / liabilities (continued)

Company	Hedging fair value gains / (losses) £'000	Accelerated tax depreciation £'000	Total £'000
At 31 December 2016 and 31 December 2017	-	(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 2017 £'000	31 December 2016 £'000	2017 £'000	2016 £'000
Deferred tax assets				
Retirement benefit obligation	-	608	608	439
Deferred tax liabilities				
Accelerated tax depreciation	(8,260)	(7,149)	1,111	285
Fair value adjustment on cash flow hedges	-	-	-	183
Retirement benefit asset	(302)	-	302	-
Deferred tax expense			2,021	907
Deferred tax liabilities net	(8,562)	(6,541)		
Reconciliation of deferred tax liabilities net:				
			2017 £'000	2016 £'000
Opening balance as of 1 January			(6,541)	(5,634)
Tax expense during the year recognised in profit or loss			(1,111)	(285)
Tax expense during the year recognised in other comprehensive income			(910)	(622)
Closing balance as at 31 December			(8,562)	(6,541)

Metroline Limited

Notes to the financial statements **Year ended 31 December 2017**

18. Called up share capital

	Group and Company			
	2017		2016	
	No. '000	£'000	No. '000	£'000
Authorised				
Ordinary shares of £1 each	61,500	61,500	61,500	61,500
Called up, allotted and fully paid				
Ordinary shares of £1 each	61,002	61,002	61,002	61,002

19. Financial commitments

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Capital commitments:				
Acquisition of property, plant and equipment contracted for but not provided	14,035	30,813	-	-

Operating lease commitments:

The Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Others	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Group				
Amounts payable under operating lease:				
Within one year	1,729	1,833	1,253	4,766
Within two to five years	5,871	5,134	1,346	1,494
In five years or more	5,949	1,680	-	-
	13,549	8,647	2,599	6,260

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

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	Loans and receivables (carried at amortised cost) £'000
At 31 December 2016		
Financial assets		
Trade and other receivables		13,528
Cash and cash equivalents		8,309
		<u>21,837</u>
Other liabilities (carried at amortised cost) £'000		
Financial liabilities		
Current borrowings	14	-
Trade and other payables		21,014
Non-current borrowings	14	-
		<u>21,014</u>
At 31 December 2017		
Financial assets		
Trade and other receivables		12,891
Cash and cash equivalents		13,563
		<u>26,454</u>
Other liabilities (carried at amortised cost) £'000		
Financial liabilities		
Current borrowings	14	3,176
Trade and other payables		8,680
Non-current borrowings	14	12,438
		<u>24,294</u>

The carrying values of the financial assets and liabilities approximate to their fair value.

Metroline Limited

Notes to the financial statements

Year ended 31 December 2017

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 2017 and 2016.

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.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

20. Financial instruments (continued)

Market risk (continued)

Hedging instruments held:

The Group's hedging instruments were measured at fair value and were all classified as Level 2 in the IFRS 13 fair value hierarchy, i.e. they were 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 was 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 fuel hedges at the reporting date was 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 primarily 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 £13,545,000 (2016: £8,289,000) of which £13,638,000 (2016: £8,391,000) is held on deposit in the UK at interest rates determined by those available on the day of deposit.

Financial assets of £18,000 (2016: £20,000) were denominated in US Dollars, the rest were denominated in Pounds Sterling.

Financial liabilities were denominated in Pounds Sterling.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

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 2017:

	Floating rate financial liabilities	Floating rate financial liabilities	Fixed rate financial liabilities	Fixed rate financial liabilities
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Hire purchase and finance leases	-	-	15,614	-

The Group's floating rate financial liabilities amount was £nil (2016: £nil). All borrowings were on a fixed rate and the weighted average interest rate was 1.85%.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

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 14 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 2017 was as follows:

	2017 £'000	2016 £'000
In one year or less, or on demand	3,176	-
In more than one year but not more than two	3,176	-
In more than two years, but not more than five	9,262	-
	<hr/>	<hr/>
	15,614	-
	<hr/>	<hr/>

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

21. Retirement benefit obligations

A. Defined contribution scheme

The Group operates a defined contribution pension scheme. The charge for the scheme in 2017 is £4,236,000 (2016: £4,008,000). The contributions outstanding at the year end amounted to £nil (2016: £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 2017 was 18 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.

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 2016. In respect of the deficit in the Scheme as at 31 March 2016, the Company has agreed to pay £668,000 pa from 1 June 2016 until 28 February 2021 increasing by approximately 3.6% pa. The Company therefore expects to pay £706,583 to this Scheme during the accounting year beginning 1 January 2018.

The last actuarial valuation of the Metroline London Northern Pension Scheme was performed by the Scheme Actuary for the Trustees as at 5 April 2016. In respect of the deficit in the Scheme as at 5 April 2016, the Company has agreed to pay £582,000 pa from 1 June 2016 until 28 February 2021 increasing by approximately 3.6% pa. The Company therefore expects to pay £615,833 to this Scheme during the accounting year beginning 1 January 2018.

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 2016 (Metroline Pension Scheme) and as at 5 April 2016 (Metroline London Northern Pension Scheme) have been updated to 31 December 2017 by a qualified independent actuary. The assumptions used are in note 21 (i) stated below.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

21. Retirement benefit obligations (continued)

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

	2017	2016
Rate of increase in salaries (%)	-.*	-.*
Annual rate of pension increases – in deferment (%)	2.20	2.30
Annual rate of pension increases - in payment (%)	3.20	3.30
Assumed life expectancies (in years) on retirement at age 65 are:		
Retiring today:		
- Males	19.4	19.4
- Females	21.2	21.3
Retiring in 20 years' time:		
- Males	20.5	20.7
- Females	22.4	22.8
Life expectancies are based on the following published mortality tables:		
– current pensioners	S2PA CMI_2016_M/F (YOB) rated by 3 years	S2PA CMI_2015_M/F (YOB) rated by 3 years
– non-pensioners	S2PA CMI_2016_M/F (YOB) rated by 3 years	S2PA CMI_2015_M/F (YOB) rated by 3 years
Inflation assumption - RPI (%)	3.30	3.40
Inflation assumption - CPI (%)	2.20	2.30
Discount rate for future pension liabilities (%)	2.50	2.70

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

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

21. Retirement benefit obligations (continued)

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

	2017 £'000	2016 £'000
Present value of pension liability	(83,334)	(83,202)
Fair value of pension fund assets	85,111	80,003
Surplus /(deficit)	<u>1,777</u>	<u>(3,199)</u>
Asset /(liability) recognised in the statement of financial position	<u>1,777</u>	<u>(3,199)</u>
Related deferred tax (liability) / asset	<u>(302)</u>	<u>608</u>

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

	2017 £'000	2016 £'000
Net interest	69	180
Scheme administrative expenses	200	138
Amount charged to profit and loss	<u>269</u>	<u>318</u>

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

	2017 £'000	2016 £'000
Actuarial adjustments		
Actuarial losses on liabilities	(557)	(14,499)
Return on assets excluding amounts included in net interest	4,250	15,412
Actuarial adjustment recognised in OCI	<u>3,693</u>	<u>913</u>

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

21. Retirement benefit obligations (continued)

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

	2017 £'000	2016 £'000
Opening pension obligation	(83,202)	(68,061)
Interest costs on liability	(2,211)	(2,616)
Adjustments from changes in actuarial assumptions	(557)	(14,499)
Benefits paid to pension scheme members	2,636	1,974
Closing defined benefit obligation	<u>(83,334)</u>	<u>(83,202)</u>

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

	2017 £'000	2016 £'000
Opening fair value of the schemes' assets	80,003	62,826
Interest income on schemes' assets	2,142	2,436
Return on schemes' assets less interest	4,326	15,483
Contributions by the company to the schemes	1,276	1,232
Benefits paid to pension scheme members	(2,636)	(1,974)
Closing fair value of the schemes' assets	<u>85,111</u>	<u>80,003</u>

All contributions with the exception of a fixed monthly contribution have now ceased. Current monthly contributions are £108,000 per month and are due to increase to £112,000 per month from June 2018.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

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 31/12/17 £'000	Percentage of fair value of the total schemes' assets 31/12/17 %	Fair Value at 31/12/16 £'000	Percentage of fair value of the total schemes' assets 31/12/16 %
Equities	34,158	40.13	46,498	58.12
Gilts	44,125	51.85	29,307	36.63
Bonds	2,557	3.00	-	-
Property	4,082	4.80	3,778	4.72
Cash	189	0.22	420	0.53
Total market value of assets	85,111	100.00	80,003	100.00
Present value of the schemes' liabilities	(83,334)		(83,202)	
Combined surplus / (deficit) in the schemes	1,777		(3,199)	

The actual return on assets over the period was 8.1% (2016: 28.5%).

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.

Metroline Limited

Notes to the financial statements Year ended 31 December 2017

22. Contingent liabilities

All material companies in the Metroline Group are party to a cross guarantee in favour of the Group's bankers.

Metroline Limited has guaranteed certain hire purchase, insurance liabilities and operating leases of Metroline Travel Limited and Metroline West Limited which amounted to £28,444,000 at the year end (2016: £16,069,000).

Amounts contracted for but not provided in the financial statements amounted to £14,035,000 (2016: £30,813,000).

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 reporting date:

	Amounts owed by related parties		Amounts due to related parties	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Scottish Citylink Coaches Limited	567	181	-	-
Westbus Coach Services Limited	10	52	-	-
Computer Cab plc	-	10	-	1
Flightlink International Limited	-	-	5	-
Cityfleet Networks Limited	7	-	-	-

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 contributions by group companies to defined benefit pension schemes, which are related parties of the group, have been made in note 21.

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