

Company Number: SC097606

# **TAYSIDE PUBLIC TRANSPORT COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2018**



## **Annual Report and Financial Statements for the Year Ended 31 December 2018**

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**Registered number: SC097606**

## **STRATEGIC REPORT**

The Directors present the strategic report for the year ended 31 December 2018 for Tayside Public Transport Company Limited (the "Company"). The Directors in preparing this strategic report, have complied with section 414c and section 172 (1) of the Companies Act 2006.

### **Principal activities and future developments**

The principal activity of the Company is the operation of Bus services. There are no plans to change the activities of this Company.

### **Business review and future developments**

The performance of the Company during the year continued to be satisfactory. The Directors are expecting the Company's performance to improve as we continue to focus on revenue growth and improving cost efficiencies.

The Company's key financial performance indicators during the year were as follows:

	<b>2018</b>	<b>2017</b>	<b>%</b>
Turnover - £	15,875,000	15,583,000	1.9%
Profit for the year after taxation - £	3,634,000	731,000	397.1%
Shareholders' funds - £	12,332,000	14,751,000	-16.4%

Revenue increased in the year by £292,000 to £15,875,000 compared to £15,583,000 in 2017. Profit for the year after taxation amounted to £3,634,000 (2017: £731,000) representing an increase of £2,903,000 (2017: £264,000 increase).

The Directors do not propose the payment of a final dividend (2017: £Nil). An interim dividend of £6,000,000 was paid during the year (2017: £Nil).

### **Fleet development and new technology**

The company took delivery of 14 new smart hybrid double deck buses in November 2018, replacing older vehicles. The investment was made to provide a higher quality journey experience for its customers and also to work jointly with Dundee City Council. This combined with the retrofit of 7 Euro III vehicles with abatement systems that take them up to Euro VI standards has greatly improved the fleet's green credentials.

December 2018 saw the installation and launch of brand new Ticketer ticketing machines which provide a wealth of improved management information but more importantly a much easier boarding experience, both for customers and drivers. These machines are capable of accepting contactless payments which will start later in 2019.

### **Health and safety**

The safety of customers, employees and the general public is key to the Company's operations. During 2018 the enhanced focus on safety continued with the development of the Target Zero campaign, focusing on behavioural safety with the ultimate aim of achieving zero accidents or injuries.

All the Company's buses carry either digital or analogue CCTV format systems leading to the availability of more and better images of on-board activity coupled with campaigns informing

passengers that CCTV technology is in use. Additionally, DriveCam was introduced to all Public Service Vehicles in 2017 to improve driving standards and ultimately reduce the risk of road traffic accidents. The Company also received 5\* BSC accreditation for Occupational Health and Safety.

Further discussion on corporate responsibility, including Health & Safety and Environment, in the context of the group as a whole can be found in the "Our Vision and Values" section of the National Express Group PLC Annual Report and Financial Statements.

## **Environment**

The Company is reducing energy consumption and carbon emissions where it can and is actively combating climate change in a number of ways including making its operations more carbon-efficient. To this end we have voltage optimisation equipment installed at our depot, solar panels and insulated roof coverings.

The Company is committed to shaping the debate about how to reduce greenhouse gas emissions from transport with policy makers and by directly encouraging people to switch to public transport. Investment in our fleet is one way to achieve this end. Additionally, conversations have started in earnest regarding the set up and management of the Low Emission Zone which is set to take effect in Dundee at the end of 2020.

## **Operational review**

The business continues to achieve high levels of operational performance and scheduling, with time-tabling kept under continuous review to ensure that service provision continues to match demand and punctuality and reliability is improved.

## **Employees**

The UK Bus People Strategy is based upon the following key areas: health and well-being; reward and recognition; performance management, talent and development; resourcing and organisational design; partnerships and stakeholders and culture and engagement. All our human resources activities are structured around these areas.

We strive at all times to be absolutely fair, reasonable and professional in all our dealings with our employees. The Company has a diverse range of employees, reflecting well the communities we serve, and is committed to ensuring that all individuals are treated equally, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

Full and fair consideration is given to applications for employment received from disabled persons, according to their skills and capabilities. The services of any existing employee disabled during their period of employment are retained wherever possible.

One of the five core corporate Values of National Express Group PLC is People and we recognise the impact that a well-trained, motivated and led workforce can have on customer satisfaction and business performance. Employee engagement is a key priority for the business and is measured every year with an employee survey. The results of this survey are extensively analysed and used to develop detailed action plans which incorporate both division-wide initiatives and local actions specific to individual sites. Both the results and the action plans are communicated widely across the business and progress against the plans is monitored at Business Review Meetings alongside all the financial and operational key performances indicators. It was very encouraging that the latest employees' survey results showed the highest ever level of employee engagement across the business, with some of our targeted people initiatives clearly making a significant impact.

The Company places considerable value on the involvement of its employees and has a number of

mechanisms to achieve this. These include; Garage Councils, regular consultative meetings with all the different trade union representatives, a 'Women's National Express' (WNX) working group (dealing specifically with gender equality issues), garage focus groups, health and safety meetings and other informal meetings.

Effective communication is a key part of our employee engagement strategy and we consult with and keep employees informed about issues which affect them, safety matters and about the performance of the business through: individual National Express email accounts for all employees; divisional and local newsletters, 'toolbox talks', team meetings and specific briefing sessions.

### **Pension surplus**

On 30 June 2017, the assets and liabilities of the Tayside Transport Fund were transferred to the Tayside Pension Fund which assumed financial responsibility for all past service benefits of current, preserved and pensioner members of the Tayside Transport Fund. Tayside Public Transport Company Limited has no further liability or risk in relation to these benefits. At the same time, the Company became an admitted body within the Tayside Pension Fund to enable existing employees who are members of the LGPS to retain membership and continue to accrue pension benefits. The Company's liabilities in respect of these future service benefits is limited to the value of the ongoing Employer Contributions made, which have been permanently fixed at an agreed percentage of pensionable pay.

### **Key risks and uncertainties**

The Directors have determined that the level of uncertainty surrounding Brexit requires it to be disclosed as a specific principal risk. Whilst at the date of this report the likelihood of a disorderly Brexit appears to be increasing, given the limited exposure the Company has to cross-border trade, the Directors do not believe that Brexit poses a material threat to the Company.

### **Financial risk management objective and policies**

a) Cash flow risk - The Company activities expose it to market risks relating to fuel prices. It is the Company's policy to hedge this exposure, which is managed by National Express Group Plc, in order to provide a level of certainty as to costs in the short term and to reduce the year on year fluctuations over the medium term. This is achieved by entering into fuel derivatives details of which can be found in note 16. Interest bearing liabilities are held at fixed rates to ensure certainty of cash flows.

b) Credit risk - The Company's principal financial assets are bank balances, trade and other receivables. The risk is mitigated by a number of factors including many of the debtors being with other companies within National Express Group PLC or with public bodies. The group has implemented policies that require appropriate credit checks on potential customers before sales commence.

c) Liquidity risk - In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of short and long term planning.

The Directors have determined that the level of uncertainty surrounding Brexit requires it to be disclosed as a specific principal risk. Whilst at the date of this report the likelihood of a disorderly Brexit appears to be increasing, given the limited exposure the Company has to cross-border trade, the Directors do not believe that Brexit poses a material threat to the Company.

**Approved by the Board and signed on its behalf by:**

  
T F Stables  
Director  
24 September 2019

Registered office: 44-48 East Dock Street  
Dundee  
DD1 3JS

## **DIRECTORS' REPORT**

The Directors present the Annual Report and audited Financial Statements for the year ended 31 December 2018.

### **Principal activities and future developments**

The principal activities, future developments, key risks and uncertainties and employee and disabled persons policies of the Company are described in the Strategic Report.

### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being at least twelve months from the date of signing the Financial Statements. Accordingly, the Financial Statements have been prepared on a going concern basis. The Company is primarily funded through the cash held in the Company's bank accounts. It is not expected that the Company will require funding from the parent undertaking in the foreseeable future.

Details of post balance sheet events are provided in note 24 to the financial statements.

### **Capital Structure**

Details of the issued share capital are set out in note 18. There is one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at a general meeting of the Company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. Subject to the Companies Act 2006 and any relevant authority of the Company in general meeting, the Company has authority to issue new shares.

### **Dividends**

The Directors do not propose the payment of a final dividend (2017: £Nil). An interim dividend of £6,000,000 was paid during the year (2017: £Nil).

### **Directors**

The Directors of the Company during the year ended 31 December 2018 and up to the date of this report are listed below.

M D Hancock	
P R Barlow	(appointed 8 May 2019)
T F Stables	(appointed 12 June 2018)
C J McGlasson	(appointed 12 June 2018)
T D Bonham	(resigned 30 April 2019)
E P Turbyne	(resigned 19 April 2018)

## **DIRECTORS' REPORT (continued)**

### **Directors' qualifying third party indemnity provision**

The Company's Articles of Association include a provision indemnifying the Directors to the extent allowed under the Companies Act 2006.

### **Directors' statement as to disclosure of information to auditor**

The Directors who held office at the date of approval of the Directors' Report and Strategic Report confirm that:

- to the best of each Directors' knowledge there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- each Director has taken all steps that a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies' Act 2006.

### **Auditor**

Deloitte LLP have indicated their willingness to be re-appointed for another term. Appropriate arrangements have been put in place for them to be re-appointed as auditor in the absence of an Annual General Meeting.

**Approved by the Board and signed on its behalf by:**



T F Stables  
Director

24 September 2019

44-48 East Dock Street  
Dundee  
DD1 3JS

## **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 Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS101 "Reduced Disclosure Framework". Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



# **INDEPENDENT AUDITOR'S REPORT**

## **to the members of Tayside Public Transport Company Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Tayside Public Transport Company Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 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.

## **INDEPENDENT AUDITOR'S REPORT (continued)**

### **to the members of Tayside Public Transport Company Limited**

#### **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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **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.

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**to the members of Tayside Public Transport Company Limited**

**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 company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**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.



Jonathan Dodworth (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham

27 September 2019

# Tayside Public Transport Company Limited

## Profit and Loss Account for the Year Ended 31 December 2018

		Continuing Operations	
	Note	2018 £'000	2017 £'000
Revenue	3	15,875	15,583
Other operating income	4	17	17
Operating costs	5	(12,589)	(14,836)
Exceptional items	5	-	(149)
Total operating costs		(12,589)	(14,985)
Operating profit	5	3,303	615
Interest receivable and similar income	8	36	19
Other finance income	9	-	168
Profit before taxation		3,339	802
Tax	10	295	(71)
Profit for the financial year attributable to the owners of the company		3,634	731

## Statement of Other Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year	5	3,634	731
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial loss for the year on the defined benefit pension scheme		-	(489)
Deferred tax credit on actuarial loss above		-	83
		-	(406)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Profit on cash flow hedges		53	64
Reclassification of financial derivatives		(128)	-
Deferred tax on cash flow hedges		22	(11)
		(53)	53
Comprehensive expenditure for the year		(53)	(353)
Total comprehensive income relating to the financial year attributable to the owners of the company		3,581	378

## **Tayside Public Transport Company Limited**

**The notes on pages 15 to 28 form part of these Financial Statements**

# Tayside Public Transport Company Limited

## Balance Sheet as at 31 December 2018

Company Number: SC097606

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible assets	11	10,957	8,963
Deferred tax asset	17	53	46
		<u>11,010</u>	<u>9,009</u>
<b>Current assets</b>			
Stocks	12	159	133
Debtors	13	4,979	8,030
Cash at bank and in hand		<u>3,854</u>	<u>4,038</u>
		8,992	12,201
<b>Creditors: amounts falling due within one year</b>	14	<u>(7,160)</u>	<u>(6,011)</u>
<b>Net current assets</b>		<u>1,832</u>	<u>6,190</u>
<b>Total assets less current liabilities</b>		12,842	15,199
<b>Creditors: amounts falling due after more than one year</b>	15	(291)	(322)
Derivative financial instrument	16	(62)	14
Deferred tax liabilities	17	<u>(157)</u>	<u>(140)</u>
<b>Net assets</b>		<u>12,332</u>	<u>14,751</u>
<b>Capital and reserves</b>			
Called up share capital	18	1,700	1,700
Hedging reserve		(42)	11
Profit and loss account		<u>10,674</u>	<u>13,040</u>
<b>Shareholders' funds</b>		<u>12,332</u>	<u>14,751</u>

The Financial Statements approved and authorised for issue by the Board of Directors on 24 September 2019 and were signed on its behalf by:



T F Stables  
Director

The notes on pages 15 to 28 form part of these Financial Statements

# Tayside Public Transport Company Limited

## Statement of Changes in Equity for the Year Ended 31 December 2018

	Called up share capital £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2017	1,700	(42)	12,715	14,373
Profit for the year	-	-	731	731
Comprehensive income for the year	-	53	(406)	(353)
<i>Total comprehensive income for the year</i>	-	53	325	378
At 1 January 2018	<u>1,700</u>	<u>11</u>	<u>13,040</u>	<u>14,751</u>
Profit for the year	-	-	3,634	3,634
Comprehensive income for the year	-	(53)	-	(53)
<i>Total comprehensive income for the year</i>	-	(53)	3,634	3,581
Dividends	-	-	(6,000)	(6,000)
At 31 December 2018	<u>1,700</u>	<u>(42)</u>	<u>10,674</u>	<u>12,332</u>

The notes on pages 15 to 28 form part of these Financial Statements

# **Tayside Public Transport Company Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2018**

### **1. General information**

Tayside Public Transport Company Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland. The address of the registered office is 44-48 East Dock Street, Dundee, DD1 3JS.

The financial information is presented in pound sterling because that is the currency of the primary economic environment in which the Company operates.

### **2. Significant accounting policies**

#### **Significant accounting judgements and key sources of estimation uncertainty**

The preparation of Financial Statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from those estimates.

The key accounting judgements are:-

#### **Pensions and other post-retirement benefits**

Determining the amount of the Company's retirement benefit obligations and the net costs of providing such benefits requires assumptions to be made concerning long term interest rates, inflation, salary and pension increases, investment returns and longevity of current and future pensioners. Changes in these assumptions could significantly impact the amount of the obligations or the cost of providing such benefits.

The Company makes assumptions concerning these matters with assistance from independent qualified actuaries. Details of the assumptions made are set out in note 20.

#### **Key accounting estimates**

There are no critical accounting judgements or estimates.

#### **Basis of accounting**

The company meets the definition of a qualifying entity under FRS 100, 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 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 business combinations, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of National Express Group PLC. The group financial statements of National Express Group PLC are available to the public and can be obtained as set out in note 23.



# **Tayside Public Transport Company Limited**

## **Notes to the financial information for the Year Ended 31 December 2018 (continued)**

### **2. Significant Accounting Policies (continued)**

#### **Basis of accounting (continued)**

The financial information has been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

#### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being at least twelve months from the date of signing the financial information. Accordingly, the financial information has been prepared on a going concern basis.

#### **Revenue recognition**

Revenue is measured based on the consideration specified in the contract with a customer and is recognised when the performance obligations of the contract have been fulfilled. Advertising revenue is recognised when the service is provided.

#### **Operating exceptional items**

Operating exceptional items are material items of income or expenditure which due to their nature and infrequency require separate identification on the face of the profit and loss account to allow a better understanding of the financial performance in the year, in comparison to prior years.

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into consideration timing differences arising as a result of different treatments of certain items for taxation and accounting purposes.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

# **Tayside Public Transport Company Limited**

## **Notes to the financial information for the Year Ended 31 December 2018 (continued)**

### **2. Significant Accounting Policies (continued)**

#### **Taxation (continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Leased assets and obligations**

Assets held under finance leases and similar hire purchase contracts are capitalised in the balance sheet as property, plant and equipment and are depreciated on the basis stated below. The obligations relating to finance leases (net of finance charges allocated to future years) are included, as appropriate, under creditors due within or after one year. Finance charges are allocated to accounting periods over the period of each lease in accordance with the interest rate inherent in each lease.

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### **Tangible assets**

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses, with the exception of certain properties that have been stated at deemed cost. These properties were last revalued at 31 December 1995 by Grimley International Property Advisors.

Depreciation is provided on a straight line basis on all property and plant and equipment on the following basis:

Freehold buildings	10 to 40 years
Buses and coaches	10 to 18 years
Plant and equipment	3 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment at each balance sheet date or if events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Government grants**

Government grants are recognised in the profit and loss account on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants relating to property, plant and equipment are treated as deferred income and released to the profit and loss account over the expected useful economic life of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

# Tayside Public Transport Company Limited

## Notes to the financial information for the Year Ended 31 December 2018 (continued)

### 2. Significant Accounting Policies (continued)

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value on a first in-first out basis, after making due allowance for obsolete or slow moving items.

#### **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in other comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

#### **Financial instruments**

##### **Financial assets**

##### *Financial assets at amortised cost*

Financial assets at amortised costs are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Balance Sheet. The Company assesses at each Balance Sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

##### *Financial liabilities*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised. Amortisation is included as finance costs in the Income Statement.

##### *Derivative financial instruments*

The Company uses derivative financial instruments to hedge its risks associated with fuel price. These instruments are initially recognised at fair value and subsequently remeasured to fair value for

## Tayside Public Transport Company Limited

the reported Balance Sheet. The fair value is calculated by reference to fuel prices at the year end.

### Notes to the financial information for the Year Ended 31 December 2018 (continued)

#### 2. Significant Accounting Policies (continued)

The derivatives are designated as cash flow hedges. The gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in equity, with any material ineffective portion recognised in the Profit and Loss Account. The gains or losses deferred in equity in this way are recycled through the Profit and Loss Account in the same period in which the hedged underlying transaction or firm commitment is recognised in the Profit and Loss Account.

For derivatives that do not qualify for hedge accounting, gains or losses are taken directly to the Profit and Loss Account in the period.

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

#### New standards and interpretations applied

At the date of authorisation of these Financial Statements, the Group has not applied the following standards that have been issued but are not yet effective:

IFRS 16 'Leases' will primarily effect the accounting for the Company's operating leases and will result in an increase in the number of leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. The new standard will be adopted on 1 January 2019.

#### 3. Revenue

An analysis of the Company's revenue is as follows:

	2018	2017
	£'000	£'000
Passenger revenue	15,492	15,340
Other revenue	383	243
	<u>15,875</u>	<u>15,583</u>

Revenue is stated net of value added tax where applicable and is wholly derived within the United Kingdom. Other revenue includes contract hire and advertising income.

# Tayside Public Transport Company Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 4. Other Operating Income

	2018 £'000	2017 £'000
Rents receivable	<u>17</u>	<u>17</u>

### 5. Profit for the year

	2018 £'000	2017 £'000
Operating profit is stated after charging:		
Fees payable to the company's auditor:		
- The audit of the Company financial statements	8	8
- Non audit services	-	-
Depreciation of tangible fixed assets		
- Owned	959	1,017
Cost of stock recognised as expense	922	956
Staff costs (see note 6)	9,562	9,259
External charges	4,014	3,604
Profit on sale of fixed asset	(2,868)	-
Rentals under operating leases		
- Plant & machinery	18	18
- Other assets	158	33
Exceptional items	<u>-</u>	<u>149</u>

The exceptional item relates to a reorganisation of the UK management structure undertaken leading to an exceptional item in regard to the restructuring and carrying value of tangible fixed assets in February 2017.

Government grants are immaterial.

# Tayside Public Transport Company Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 6. Staff Costs

	2018	2017
	£'000	£'000
Wages and salaries	8,263	8,077
Social security costs	735	712
Pension costs - defined contribution scheme (Note 20)	564	343
Pension costs - defined benefit scheme (Note 20)	-	127
	<u>9,562</u>	<u>9,259</u>

The monthly average number of persons employed by the Company during the year was:

	2018	2017
	Number	Number
Vehicle operation	255	265
Servicing, repairs and maintenance	27	28
Other operational staff	30	31
	<u>312</u>	<u>324</u>

### 7. Directors' remuneration

Total for all Directors in respect of qualifying services as a Director of the Company:

	2018	2017
	£'000	£'000
Aggregate emoluments	122	90
Company contributions to pension schemes	17	33
	<u>139</u>	<u>123</u>

During 2018 there was one Director (2017: one Director) paid by the Company. Pension contributions were made in respect of one Director in 2018 (2017: one Director). The Directors of the Company are also Directors of a number of other companies in the National Express Group. The Directors consider that the level of their qualifying services provided to this Company amounts to £58,346 (2017: £93,929). No recharge of Directors' remuneration has been made.

### 8. Interest receivable

## Tayside Public Transport Company Limited

	2018 £'000	2017 £'000
Interest receivable from ultimate holding company	<u>36</u>	<u>19</u>

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 9. Other finance income

	2018 £'000	2017 £'000
Pension finance receivable	<u>-</u>	<u>168</u>

#### 10. Tax on profit

# Tayside Public Transport Company Limited

	2018 £'000	2017 £'000
<b>a) Analysis of taxation charge/(credit) in the year</b>		
<b>Current taxation</b>		
United Kingdom corporation tax	(136)	17
Adjustments in respect of prior periods group relief	<u>(191)</u>	<u>184</u>
Total current taxation	<u>(327)</u>	<u>201</u>
<b>Deferred Taxation</b>		
Origination and reversal of timing differences	21	40
Defined Benefit pension scheme	-	83
Effect of rate change	-	-
Adjustments in respect of prior periods	<u>11</u>	<u>(253)</u>
Total deferred taxation	<u>32</u>	<u>(130)</u>
Tax on profit	<u><u>(295)</u></u>	<u><u>71</u></u>
<b>b) Factors affecting the total tax charge/(credit) for the year</b>		
Profit before taxation	<u>3,339</u>	<u>802</u>
Notional charge at UK corporation tax rate of 19.0% (2017: 19.25%)	634	154
Effect of:		
Expenses not deductible for tax purposes	(746)	2
Adjustments in respect of prior periods - corporate tax	(191)	184
Adjustments in respect of prior periods - deferred tax	11	(253)
Impact of change in tax rate	(3)	(16)
Total tax	<u><u>(295)</u></u>	<u><u>71</u></u>
<b>c) Tax on items recognised on other comprehensive income or equity</b>		
Deferred tax charge on actuarial movements	-	83
Deferred tax charge/(credit) on cash flow hedges	<u>13</u>	<u>(11)</u>
	<u><u>13</u></u>	<u><u>72</u></u>

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### d) Factors affecting future tax charge/(credit)

Reductions in the future UK corporation tax rates to 18% were substantively enacted in July 2015 and will take effect in April 2020. The Finance Act 2016 which was substantively enacted on September 2016, included provisions to reduce the corporation tax to 17% from April 2020. Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these accounts. To the extent the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax liability will be reduced.

The current rate is 19% and deferred tax has been recognised at 17%.



# Tayside Public Transport Company Limited

## 11. Tangible Fixed Assets

	Freehold land and buildings £'000	Public service vehicles £'000	Vehicles, plant and equipment £'000	Company total £'000
<b>Cost</b>				
At 1 January 2018	2,122	16,341	1,150	19,613
Additions	1	3	70	74
Group transfers in	344	3,954	-	4,298
Disposals	(2,467)	(328)	(19)	(2,814)
At 31 December 2018	<u>-</u>	<u>19,970</u>	<u>1,201</u>	<u>21,171</u>
<b>Depreciation</b>				
At 1 January 2018	1,017	9,071	562	10,650
Group transfers in	175	-	-	175
Disposals	(1,241)	(324)	(5)	(1,570)
Charge for the year	49	877	33	959
At 31 December 2018	<u>-</u>	<u>9,624</u>	<u>590</u>	<u>10,214</u>
<b>Net book value</b>				
At 31 December 2018	<u>-</u>	<u>10,346</u>	<u>611</u>	<u>10,957</u>
At 31 December 2017	<u>1,105</u>	<u>7,270</u>	<u>588</u>	<u>8,963</u>

# Tayside Public Transport Company Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 12. Stocks

	2018	2017
	£'000	£'000
Engineering spare parts, spare units and fuel	<u>159</u>	<u>133</u>

If stocks were stated at replacement cost, the amounts above would not change significantly.

### 13. Debtors

	2018	2017
	£'000	£'000
Trade debtors	231	184
Amounts owed by parent, fellow and subsidiary undertakings	2,926	7,526
Intercompany group relief debtor	328	19
Other debtors	942	108
Prepayments and accrued income	<u>552</u>	<u>193</u>
	<u>4,979</u>	<u>8,030</u>

Amounts owed by other group companies are interest free and repayable on demand.

### 14. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	793	472
Amounts owed to parent, fellow and subsidiary undertakings	5,066	4,911
Social security and other taxation	1	1
Accruals and deferred income	1,269	596
Deferred fixed asset grant	<u>31</u>	<u>31</u>
	<u>7,160</u>	<u>6,011</u>

Amounts owed to other group companies are interest free and repayable on demand.

### 15. Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Deferred fixed asset grant	<u>291</u>	<u>322</u>
	<u>291</u>	<u>322</u>

Deferred fixed asset grants relate to public service vehicles and are matched to the life of the asset.

# Tayside Public Transport Company Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 16. Derivative financial instruments

The Company has the following derivatives that are designated and effective as hedging instruments carried at fair value:

	2018 £'000	2017 £'000
<b>Cash flow hedges</b>		
Fuel derivative (asset)/liability	<u>62</u>	<u>(14)</u>

The Company is exposed to movements in commodity prices as a result of its fuel usage. It is the policy of the ultimate parent, National Express Group PLC, to hedge this exposure in order to provide a level of certainty as to its cost in the short term and to reduce the year on year impact of price fluctuations over the medium term. This is achieved by entering into fuel derivatives.

The fuel derivative financial instruments are accounted for as cash flow hedges. They are initially recognised at fair value and subsequently remeasured to fair value at each reported Balance Sheet date. The fair value is calculated by reference to fuel prices at the period end.

### 17. Deferred tax (Asset)/liability

The deferred tax included in the balance sheet is as follows:

	2018 £'000	2017 £'000
Deferred tax liability	157	140
Deferred tax asset	<u>(53)</u>	<u>(46)</u>
	<u>104</u>	<u>94</u>
	2018 £'000	2017 £'000
Timing differences on tangible fixed assets and capital allowances	157	140
Other timing differences	(66)	(57)
Derivative financial instruments	<u>13</u>	<u>11</u>
	<u>104</u>	<u>94</u>
		£'000
At 1 January 2018 including deferred tax on defined benefit pension asset		94
Deferred tax charge in profit and loss account		21
Amount charged to statement of total recognised gains and losses		(22)
Adjustments in respect of prior year		<u>11</u>
At 31 December 2018		<u>104</u>

# Tayside Public Transport Company Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

### 18. Called up Share Capital

The Company's called up share capital is as follows:

	2018 £'000	2017 £'000
<b>Authorised</b>		
10,000,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
1,700,000 ordinary shares of £1 each	<u>1,700</u>	<u>1,700</u>

### 19. Operating lease commitments

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 Land and buildings £'000	2017 Land and buildings £'000	2018 Vehicles and plant £'000	2017 Vehicles and plant £'000
Operating leases which expire:				
- Within 1 year	31	20	17	15
- In 2 to 5 years inclusive	-	-	20	35
	<u>31</u>	<u>20</u>	<u>37</u>	<u>50</u>

# **Tayside Public Transport Company Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

### **20. Retirement benefits**

On 30 June 2017, the assets and liabilities of the Tayside Transport Fund were transferred to the Tayside Pension Fund which assumed financial responsibility for all past service benefits of current, preserved and pensioner members of the Tayside Transport Fund. Tayside Public Transport Company Limited has no further liability or risk in relation to these benefits. At the same time, the Company became an admitted body within the Tayside Pension Fund to enable existing employees who are members of the LGPS to retain membership and continue to accrue pension benefits. The Company's liabilities in respect of these future service benefits is limited to the value of the ongoing Employer Contributions made, which have been permanently fixed at an agreed percentage of pensionable pay.

The employer's contributions made in respect of the Company in the year were £nil (2017: £187,000).

Tayside Public Transport Company Limited operates the National Express Worksave Pension Plan, a group personal pension provided by Legal & General. Employer contribution rates are 1% of pensionable pay for auto enrolled employees, with former members of the National Express UK pension scheme retaining a 4% employer contribution rate.

At 31 December 2018 there were 259 employees in the National Express Worksave Pension Plan (2017: 268). The pension cost for the year was £564,000 (2017: £343,000). Outstanding contributions at 31 December 2018 amounted to £nil (2017: £nil).

### **21. Contingent liabilities**

The Company is party to a series of cross guarantees relating to the bank accounts of fellow group companies amounting to £10,000,000 (2017: £10,000,000).

### **22. Related party transactions**

The company has taken advantage of the exemption in FRS 101 from disclosing transactions with related parties that are wholly owned subsidiaries of National Express Group PLC.

### **23. Ultimate Controlling Undertaking**

The Company's immediate parent undertaking is Taybus Holdings Limited. The Company is ultimately controlled by and is a wholly owned subsidiary undertaking of National Express Group PLC, a company registered in England and Wales.

The Company's ultimate parent and controlling company and the largest and smallest company in which the Company's results are consolidated is National Express Group PLC, registered in England and Wales.

Copies of the group Financial Statements of National Express Group PLC, the parent undertaking of the only group preparing group Financial Statements which include Tayside Public Transport Company Limited, are available to the public and may be obtained from the Company Secretary, National Express Group PLC, Birmingham Coach Station, Mill Lane, Digbeth, Birmingham B5 6DD.

### **24. Post Balance Sheet Events**

There are no post balance sheet events requiring disclosure.