Financial statements
Preston Bus Limited

For the year ended 30 November 2019

Company No. 02004022

Contents

Strategic Report

Principal activities, review of business and future developments

The company's principal activity during the year has been the operation of bus services. The directors are satisfied with the outcome of the year, and the company's position at the year end. They are pleased with the progress made in the accounting period and anticipate continuing progress and further growth.

Significant events in the period
During the year the business continued to develop long term relationships with its customers and to extend the number of its services and their areas of operation. These steps are in accordance with the company's strategic plan. The aims of this plan are:

- to increase the company's bus activities;
- to enhance those activities with contracts wherever benefits can be obtained;
- to enhance the spread of the company's services;
- to market the company's activities efficiently and effectively;
- to develop close relationships with transport providers such as local authorities;
- to develop means by which the public can make their needs and opinions known and then to listen carefully to that public, who are the customers of the business.

The directors believe that the year saw good progress towards the fulfilment of these objectives.

Review of the business and future outlook
The financial year under review continued to be challenging for the industry in general. Not only did the competitive conditions within the industry prevail throughout the period but also regulation continued to evolve, putting a considerable burden upon general management.

Within the context of the medium term plan outlined above, it is pleasing to note that much change was effected in the company during the period. These changes were to a degree reflected in the financial performance of the company in the period under review. It will take some years for the company's strategic plan to reach its full maturity but the advances in this period have been encouraging. More progress can be expected in future years.

With regard to employment the company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues and operates a process of equality of opportunity and operates under the guiding principle of non-discrimination in line with its Equal Opportunities Policy. All staff are treated fairly and equally, training takes place throughout the business and individual circumstances are always considered in order to maintain the on-going support of the company's most valuable asset, its people. Given the above and the progress the company has made, the directors are confident that the improvement, compared to some years ago, in the company's financial performance will be sustained.

Strategic Report (continued)

Principal activities, review of business and future developments (continued)

Summary of key performance indicators
The company regards the following Key Performance Indicators (KPIs) as appropriate methods of measurement of its business:

	Year ended 30 November 2019	Year ended 30 November 2018
Operating profit	£874,000	£669,000
Profit after taxation	£474,000	£312,000
Total comprehensive income for the financial year	£901,000	£1,745,000

These key performance indicators are used as follows:

- Operating profit: profit from operations is a very important determinant of the long term success of the business. Because this indicator is calculated before interest it represents the theoretical debt-free performance of the company and is thus a key measure of value. It is also a measure of how effectively and efficiently the company is using its operating assets, particularly in relation to its peers. Therefore this metric is monitored monthly and progress towards target is frequently reviewed;

- Profit after taxation: this indicator is a key determinant of return to shareholders. Therefore it is monitored and reviewed regularly by the board. The board places particular emphasis upon this indicator because in this manner it can be confident that it is serving the interests of shareholders and providing the company with the means to sustain all the burdens placed upon it, including the financing of growth;

- Total comprehensive income for the financial year is a summary indicator of what remains for shareholders after all the demands placed on the business are met, including the pension scheme.

The results of the year and the financial position as at 30 November 2019 are considered by the directors to be satisfactory.

Strategic Report (continued)

Principal risks and uncertainties

The directors consider that the following factors may be considered to be the material risks and uncertainties facing the company in normal circumstances. The full impact of the Coronavirus pandemic, following its recent emergence and the severe restrictions which the UK Government has imposed in response, is still unknown. It is therefore not possible at this time to evaluate and describe all the potential risk implications for the business of the company. Although the board is unable comprehensively to assess the risks arising at this time, it has nevertheless taken action to mitigate these risks. The actions taken so far are set out in detail in note 19 to these financial statements.

Risk	Potential impact	Management or mitigation
Variations in the price of fuel.	Fuel is a significant cost to the business. If fuel increases in price in circumstances where sales prices cannot be increased, then profitability will be affected.	Management monitors fuel prices closely, negotiates fuel escalator clauses where possible and increases fares if input costs rise in a sustained pattern. Management monitors fleet fuel efficiency and uses technological aids to optimise fuel usage.
The availability of sufficient capital and leasing facilities to finance the growth in the company's business.	The company may miss growth opportunities.	Management maintains close contact with its shareholder and vehicle financiers to keep them fully briefed about the progress of the company.
New government legislation or industry regulation.	Significant unplanned or unforeseen costs may be imposed on the business.	Management continually monitors regulatory and legal developments and participates keenly in industry forums. Management also ensures that it responds to requests for information and insight from regulatory bodies.
Availability of management resources of the appropriate quality.	Lack of appropriate management skills damages the business and its prospects.	The board continually assesses skill requirements and management structures as the business grows. Appropriate recruits are brought in to the business and any necessary management development courses are instituted.
Level of vehicle insurance rates – particularly in the event of a major accident involving passenger fatality.	The company may not be able to obtain adequate levels of insurance cover.	The company is self-insured for high frequency claims of low value, as set out in its accounting policies. Claims above a certain level are comprehensively insured in the normal way. Driver training emphasises a risk - averse culture. Accident rates are monitored centrally. Claims are managed by a claims handler who works closely with the group's insurance adviser and insurers. Relationships with insurance brokers and providers are considered to be key and are managed centrally by the group.

Strategic Report (continued)

Financial risk management objectives and policies

The company's principal financial instruments comprise intra - group balances, cash, trade debtors, trade creditors and hire purchase agreements. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are credit risk and liquidity risk.

Credit risk

Credit risk is managed by agreeing payment terms in advance and by taking appropriate references. The company's receivable balances are monitored on an on-going basis with the result that the company's exposure to bad debts is mitigated.

Liquidity risk

The company maintains a mixture of long-term and short-term finance suitable to its needs. This mixture is designed to ensure that the company has sufficient funds available for its current operations and to enable the company to meet its strategic plan.

Employee involvement

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company. This is achieved through consultation with employee representatives.

ON BEHALF OF THE BOARD

K Taylor
Secretary
Date: 22 June 2020

Directors' Report

The directors present their report and the financial statements of the company for the year ended 30 November 2019.

Directors

The directors who served the company during the period were as follows:

R A Dunn
S L Dunn
J A S Dunn (appointed 30 September 2019)
M P Rawlinson
K M Taylor

Results and dividends

The profit for the year, after taxation, amounted to £474,000 (2018: £312,000). The directors do not recommend the payment of a final dividend (2018: £nil). The company paid an interim dividend of £800,000 on 30 November 2019 (2018: £1,650,000) to its parent undertaking Rotala Plc.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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 judgements and accounting estimates that are reasonable and prudent;
- 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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.

Directors' Report (continued)

Matters covered in the Strategic Report

Financial risk management objectives, principal risks and uncertainties, the business review and the discussion of employee matters have been included in the Strategic Report.

Effect of the Withdrawal of the United Kingdom from the European Union

The directors do not anticipate that the withdrawal of the United Kingdom from the European Union will have any material impact on the business of the company.

Effect of the Coronavirus pandemic

The full impact of the Coronavirus pandemic, following its recent emergence and the severe restrictions which the UK Government has imposed in response, is still unknown. It is therefore not possible at this time to evaluate and describe all the potential implications for the business of the company, and its customers, suppliers and the wider economy.

Post balance sheet events

Significant events affecting the company since the year end are set out in note 19 to these financial statements.

Auditor

Mazars LLP will be proposed for reappointment in accordance with section 485 of Companies Act 2006.

ON BEHALF OF THE BOARD

K M Taylor
Secretary
Date: 22 June 2020

Company no: 02004022

Report of the independent auditor to the members of Preston Bus Limited

Opinion

We have audited the financial statements of Preston Bus Limited (the 'company') for the year ended 30 November 2019 which comprise of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 8, and the consideration in the going concern basis of preparation on page 13 and non- adjusting post balance sheet events on page 33.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

Conclusions relating to going concern

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

Report of the independent auditor to the members of Preston Bus Limited (continued)

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Report of the independent auditor to the members of Preston Bus Limited (continued)

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit 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.

Louis Burns

Louis Burns (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date: 22 June 2020

Principal accounting policies

General information

Preston Bus Limited is a limited company incorporated in the United Kingdom. Its registered office is Cross Quays Business Park, Hallbridge Way, Tividale, Oldbury, West Midlands, B69 3HW.

The principal activity of the company during the year was the operation of bus services.

The financial statements are presented in Sterling (£).

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 (the Financial Reporting Standard applicable in the UK and the Republic of Ireland) and the Companies Act 2006. The presentation of financial statements in accordance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies as set out further below.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- financial instrument disclosures including (a) categories of financial instruments (b) items of income, expense, gain or loss relating to financial instruments (c) exposure to and management of financial risks.

This information is included in the consolidated financial statements of Rotala plc as at 30 November 2019 and these financial statements may be obtained from Companies House.

The principal accounting policies of the company are set out below:

Principal accounting policies

Going concern

The company's business activities and financial positions, together with the factors likely to affect its future development, performance and position are set out in the principal activities, review of business and future developments on pages 3 to 4.

In addition, the Directors' Report includes the company's objectives, policies and processes for managing financial risk, details of its financial instruments and its exposure to credit risk and liquidity risk.

The UK Government has designated bus operation to be an essential service in the Coronavirus crisis prevalent at the date of these accounts. Passenger numbers had fallen steeply even before the very severe restrictions on travel for all but key workers introduced on 23 March 2020. In this light Government has taken steps, through specific direction provided by the Cabinet Office to all arms of the State at both national and local level, to ensure that bus companies have sufficient cash flow to support the operations that they are running. These measures cover the maintenance of Bus Services Operator's Grant, concessionary fares re-imbursements and payments for contracted bus services broadly at their pre-crisis levels.

Internally the board has taken a number of steps to align the bus services being operated with local requirements, reduce commensurately the costs of operation and conserve cash. These measures include the rescheduling of services to run an enhanced Sunday-level timetable; reduction in driver rosters; suspension of discretionary capital expenditure; termination of vehicle operating leases where possible; and placing a significant proportion of the workforce into the Coronavirus Job Retention Scheme.

Given the early stage of this crisis and its unknown duration it is impossible to quantify at the current time what effect the crisis will have on the business of the company or its assets, liabilities, shareholders and employees. Potential effects might include write downs in now redundant property, plant, equipment and inventory; write off of trade and other receivables; re-evaluation of the pension scheme asset; mark to market losses on fuel derivative contracts given current oil prices and associated tax effects.

The board has examined its strategy and considered its profit and loss and cash flow projections for the fourteen month period to 31 May 2021. It has modelled, so far as is possible, the reduced scale of operations and cash flows called for under the restrictions imposed by the Government in response to the Coronavirus pandemic. It has also evaluated the hire purchase, loan and overdraft facilities available to the company in connection with the period examined. After due enquiry, the board has judged the cash flow forecasts, asset financing and banking resources of the company to be adequate to support its continued operations for the foreseeable future and has adopted the going concern basis in preparing the financial statements.

Principal accounting policies (continued)

Judgments and estimates in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in compliance with FRS 102 requires management to make judgements and estimates, and assumptions that affect both the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year.

Estimates

The major areas of estimation within the financial statements are as follows:

Acquisition fair values and intangibles

In attributing value to intangibles on acquisition, management has made certain assumptions about the profitability of acquired businesses, brands and customer relationships. The key assumptions relate to the trading performance of the acquired business and the derivation of the fair value of assets or liabilities acquired, including any value attributable to intangible assets such as brands and contracts. Where a business acquired is loss-making, it is considered to be unlikely that brands or contracts have any value. Management uses valuation techniques and its knowledge of the market, combined with its experience of previous acquisitions, to determine the fair value of net assets acquired in business combinations. Management bases its assumptions on observable data as far as possible, but this is not always available. Where observable data is not available management uses the most suitable information it can identify. Estimated fair values may vary from the actual prices that would be achieved in an arms' length transaction at the reporting date.

Pension scheme valuation

The liabilities in respect of defined benefit pension schemes are calculated by qualified actuaries and reviewed by the group, but are necessarily based on subjective assumptions. The principal uncertainties relate to the estimation of the life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 14 to the financial statements. Profits and losses in relation to changes in actuarial assumptions are taken directly to other comprehensive income and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

Useful lives of property, plant and equipment

Property, plant and equipment is depreciated over its useful life. Useful lives are based on management's estimates of the periods within which the assets will generate revenue and which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to profit or loss in specific periods. More details about carrying values are included in note 8.

Judgments

There are no material areas of judgment within these financial statements.

Business combinations

Where the acquisition method is used, the results of the business acquired are included from the date of acquisition. The purchase consideration is allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Principal accounting policies (continued)

Turnover

Turnover represents sales to external customers excluding value added tax. Revenue is recognised at a point in time upon satisfaction of the relevant performance obligations for the various revenue streams:

- Passenger revenue is recognised when the service is delivered;
- Subsidy revenue from local authorities is recognised on an accruals basis, based on actual passenger numbers when services are provided;
- Contracted and charter services revenues are recognised when services are delivered, based on agreed contract rates.

Goodwill

Goodwill arising on an acquisition of a trade or subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 7 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Fixed assets

All fixed assets are initially recorded at cost. Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation

Depreciation is calculated so as to write off the cost of all assets, less the estimated residual value, over the useful economic life of the assets, as follows:

Public service vehicles	-	10 - 25% reducing balance
Plant, equipment and fixtures & fittings	-	3 to 10 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the statement of comprehensive income.

Principal accounting policies (continued)

Stocks

Stocks are initially recognised at cost on a first in, first out basis and subsequently valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the date of the statement of financial position, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Principal accounting policies (continued)

Pension costs

Defined contribution scheme

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

Defined benefit pension scheme

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Appropriate adjustments are made for unrecognised actuarial gains or losses and past service costs. Any actuarial gains and losses are recognised immediately in other comprehensive income. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the company recognises past service cost immediately.

Leases

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Impairment of assets

The company's goodwill and intangible assets are subject to impairment testing. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (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 company at which management controls the related cash flows.

Individual intangible assets or cash-generating units that include goodwill with an indefinite useful life 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. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation.

Principal accounting policies (continued)

Impairment of assets (continued)

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. 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. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets
The company classifies all of its financial assets as loans and receivables.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities
The company classifies all of its financial liabilities as liabilities at amortised cost.

Amortised cost
Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position.

Statement of Comprehensive Income

	Note	2019 £'000	2018 £'000
Turnover	1	**12,451**	12,716
Operating costs		**(11,577)**	(12,047)
Operating profit	4	**874**	669
Interest receivable and similar income	2	**53**	-
Interest payable and similar charges	3	**(368)**	(233)
Profit on ordinary activities before taxation		**559**	436
Taxation charge on profit on ordinary activities	6	**(85)**	(124)
Profit on ordinary activities after taxation		**474**	312
Other comprehensive income:			
Remeasurement gains on defined benefit pension scheme	14	**527**	1,748
Deferred tax attributable to actuarial gains		**(100)**	(315)
Total comprehensive income for the financial year		**901**	1,745

All of the activities of the company are classed as continuing.

Statement of Financial Position

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	7	**52**	119
Pension asset	14	**2,319**	1,737
Tangible assets	8	**5,286**	5,851
		7,657	7,707
Current assets			
Stocks	9	**554**	377
Debtors: amounts falling due within one year	10	**2,410**	2,235
Cash at bank and in hand		**202**	73
		3,166	2,685
Creditors: amounts falling due within one year	11	**(5,400)**	(4,929)
Net current (liabilities)		**(2,234)**	(2,244)
Total assets less net current liabilities		**5,423**	5,463
Creditors: amounts falling due after more than one year	12	**(1,569)**	(1,895)
Deferred taxation	13	**(861)**	(676)
Net assets		**2,993**	2,892
Capital and reserves			
Share capital	16	**1,488**	1,488
Share premium account	17	**1,228**	1,228
Profit and loss account	17	**277**	176
Shareholders' funds		**2,993**	2,892

These financial statements were approved and authorised for issue by the directors on 22 June 2020 and are signed on their behalf by:

Simon Dunn
Director

The accompanying principal accounting policies and notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 November 2018

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 December 2017	1,488	1,228	81	2,797
Profit for the financial year	-	-	312	312
Other comprehensive income:				
Recognition of net actuarial gain on defined benefit pension scheme	-	-	1,748	1,748
Recognition of deferred tax on net actuarial gain on defined benefit pension scheme	-	-	(315)	(315)
Transaction with owner:				
Interim dividend paid	-	-	(1,650)	(1,650)
At 30 November 2018	1,488	1,228	176	2,892

For the year ended 30 November 2019

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 December 2018	1,488	1,228	176	2,892
Profit for the financial year	-	-	474	474
Other comprehensive income:				
Recognition of net actuarial gain on defined benefit pension scheme	-	-	527	527
Recognition of deferred tax on net actuarial gain on defined benefit pension scheme	-	-	(100)	(100)
Transaction with owner:				
Interim dividend paid	-	-	(800)	(800)
At 30 November 2019	1,488	1,228	277	2,993

Notes to the financial statements

1 Turnover

Turnover and profit on ordinary activities before taxation arose wholly from the principal activity within the United Kingdom.

2 Interest receivable and similar income

	2019 £'000	2018 £'000
Defined benefit pension scheme net interest income (note 14)	**53**	-
	53	-

3 Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable on bank overdrafts	**85**	58
Hire purchase and finance lease interest payable	**110**	114
Interest payable to group undertakings	**173**	51
Defined benefit pension scheme net interest expense (note 14)	**-**	6
Other interest	**-**	4
	368	233

4 Operating profit

Operating profit for the year is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	**349**	295
- held under hire purchase and finance lease agreements	**305**	281
Amortisation of goodwill	**67**	67
Profit on disposal of tangible fixed assets	**(30)**	(40)
Operating lease rentals		
- land and buildings	**96**	92
- other operating leases	**269**	290

Auditor's fees of £12,141 (2018: £11,050) have been paid in relation to the year to 30 November 2019. There were no non-audit fees paid to the auditor of the company in 2019 or 2018.

Notes to the financial statements

5 Directors and employees

	2019	2018
	£'000	£'000
Emoluments of directors	**120**	114

Key management personnel compensation for the year ended 30 November 2019 is £120,122 (2018: £114,033).

One director was a member of a defined contribution pension scheme in the year and contributions of £2,950 were paid on his behalf (2018: £700).

	2019	2018
	£'000	£'000
Staff costs		
Wages and salaries	**5,631**	6,137
Social security costs	**544**	577
Other pension costs (see note 14)	**147**	112
	6,322	6,826

The average monthly number of persons employed by the company (including executive directors) during the year was:

	2019	2018
Operations	**242**	304
Administration and supervisory	**18**	12
	260	316

6 Taxation on profit on ordinary activities

(a) Charge for the year

	2019	2018
	£'000	£'000
Current tax		
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	85	124
Total deferred tax (note 13)	85	124
Tax charge on profit on ordinary activities	85	124

Notes to the financial statements

6 Taxation on profit on ordinary activities (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the period is lower (2018: higher) than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	**559**	436
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**106**	83
Effect of		
Expenses not taxable	**21**	2
Adjustments in respect of prior periods	**(42)**	39
Total tax charge for year	**85**	124

(c) Factors that may affect future tax charges:

Deferred tax has been measured at the average tax rates that are expected to apply in the accounting periods in which the timing differences are expected to reverse.

7 Intangible assets

	Purchased goodwill £'000
Cost	
At 1 December 2018	269
Additions	-
At 30 November 2019	**269**
Amortisation	
At 1 December 2018	150
Charge for the year	67
At 30 November 2019	**217**
Net book value	
At 30 November 2019	**52**
At 30 November 2018	119

Notes to the financial statements

8 Tangible assets

	Public service vehicles £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 December 2018	11,589	607	12,196
Additions	1,234	115	1,349
Disposals	(150)	(14)	(164)
Transfers from/(to) group undertakings	(1,145)	-	(1,145)
At 30 November 2019	11,528	708	12,236
Depreciation			
At 1 December 2018	6,108	237	6,345
Disposals	(150)	(14)	(164)
Transfers from/(to) group undertakings	115	-	115
Charge for year	581	73	654
At 30 November 2019	6,654	296	6,950
Net book value			
At 30 November 2019	**4,874**	**412**	**5,286**
At 30 November 2018	5,481	370	5,851

Net book value held under hire purchase agreements:

At 30 November 2019	2,431	179	2,610
At 30 November 2018	3,074	138	3,212

Depreciation charged thereon:

In 2019	286	19	305
In 2018	280	1	281

Notes to the financial statements

9 Stocks

	2019	2018
	£'000	£'000
Spares, consumables and fuel	**554**	377

In the opinion of the directors, the difference between the replacement cost of these stocks and their balance sheet value is not material.

Stock recognised in cost of sales during the year as an expense was £2,857,000 (2018: £3,443,000). No impairment loss due to slow-moving and obsolete stock was recognised in 2019 or 2018 in cost of sales during the year.

10 Debtors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade debtors	**446**	253
Prepayments and accrued income	**1,849**	1,904
Other debtors	**115**	78
	2,410	2,235

An impairment loss of £15,000 was recognised against trade debtors in 2019 (2018: £nil).

11 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Hire purchase and lease obligations (note 12)	**597**	758
Trade creditors	**607**	1,007
Accruals and deferred income	**70**	148
Other taxation and social security	**77**	125
Pension scheme contributions (note 14)	**25**	129
Amounts due to fellow group undertakings	**4,024**	2,762
	5,400	4,929

The hire purchase liability is secured on the assets to which it relates.

Amounts due to fellow group undertakings accrue interest at 6% per annum and are repayable on demand.

Notes to the financial statements

12 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Hire purchase and lease obligations	**1,569**	1,895

Obligations under hire purchase and finance lease agreements

The present value of future minimum lease payments is as follows:

	2019 £'000	2018 £'000
Amounts payable		
-within one year	**597**	758
-between one and two years	**685**	580
-between two and five years	**824**	1,124
-more than five years	**60**	191
	2,166	2,653

Obligations under hire purchase and finance lease agreements are repayable over various periods up to July 2025. Lease payments are analysed between capital and interest components. The interest element of the payment is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The interest rates implicit in these leases range between 2.68% and 6.59% per annum.

13 Deferred taxation

	2019 £'000	2018 £'000
Liability arising from accelerated capital allowances	**(420)**	(382)
Deferred tax liability, excluding that related to pension asset	**(420)**	(382)
Deferred tax liability related to pension asset (note 14)	**(441)**	(294)
Total deferred tax liability	**(861)**	(676)

	2019 £'000	2018 £'000
Liability at beginning of year	**(676)**	(237)
Deferred tax charged in profit and loss for the year (note 6a)	**(85)**	(124)
Deferred tax debited to other comprehensive income	**(100)**	(315)
Total liability at the end of the year	**(861)**	(676)

Deferred tax assets and liabilities have been recognised in the statement of financial position in accordance with the company's accounting policies. All potential deferred taxation assets and liabilities have been recognised in the statement of financial position.

Notes to the financial statements

14 Pension scheme asset

The company operates a defined benefit pension scheme within the West Midlands Pension Fund ("WMPF"), governed by the Local Government Pension Regulations ("LGPR"). The administering authority for the Fund is the West Midlands Combined Authority. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority.

Contributions amounting to £nil (2018: £27,083) were payable to the fund at the balance sheet date. Expected contributions for the year ending 30 November 2019 are £nil.

WMPF defined benefit pension scheme
The calculations of the FRS 102 disclosures for the WMPF have been based on the most recent actuarial valuations, which have been updated to 30 November 2019 by an independent professionally qualified actuary to take account of the requirements of FRS 102. The expected returns are set in conjunction with external actuaries and take account of market factors, fund managers views and targets for future returns and where appropriate historical returns.

The principal actuarial assumptions used were as follows:

	30 November 2019	30 November 2018
	%	%
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment	2.3	2.6
Discount rate	1.9	2.9
Inflation	2.3	2.6

The life expectancy assumptions used for each scheme are periodically reviewed and as at 30 November 2019 were:

	2019	2018
	Years	Years
Current pensioner aged 65 – male	**20.8**	21.9
Current pensioner aged 65 – female	**23.9**	24.0
Future pensioners at age 65 (aged 45 now) - male	**22.6**	24.1
Future pensioners at age 65 (aged 45 now) - female	**25.8**	26.3

Notes to the financial statements

14 Pension scheme asset (continued)

Since the scheme has been closed for a number of years, there is no current service cost to be charged to operating profits.

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.1%	Increase/decrease by 1.1%
Inflation	Increase/decrease by 0.1%	Increase/decrease by 1.1%
Life expectancy	Increase by one year	Increase of 6.5%

The above analysis is based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been estimated, based on the average age and the normal retirement age of members and the duration of the liabilities of the scheme.

The amounts recognised in the balance sheet were determined as follows:

	2019 £'000	2018 £'000
Equities	**2,967**	4,872
Bonds	**11,129**	9,247
Other	**5,299**	4,413
Cash	**142**	157
Total market value of assets	**19,537**	18,689
Present value of scheme liabilities	**(17,218)**	(16,952)
Gross pension asset	**2,319**	1,737
Remaining certified pension contributions	**-**	(129)
Pension asset before tax	**2,319**	1,608
Related deferred tax liability	**(441)**	(294)
Net pension asset	**1,878**	1,314

The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price.

Notes to the financial statements

14 Pension scheme asset (continued)

The last formal actuarial valuation was carried out as at 31 March 2016. In that valuation cycle the contributions certified by the actuary cease with effect from 31 March 2019. An actuarial valuation is currently being carried out as at 31 March 2019. As at 31 March 2016 the actuarial deficit of the scheme was £1,000,000. However the actuary regularly rolls forward the actuarial position and, as at the latest available date of 31 March 2019, the actuary estimated that the actuarial surplus was £909,000, equivalent to a funding level of 105% of estimated actuarial liabilities.

The total charge to profit and loss for pensions is as follows:

	2019 £'000	2018 £'000
Defined benefit schemes		
Administration expense	**(5)**	(5)
Finance cost		
-interest return on plan assets	**531**	439
-interest cost on pension liabilities	**(478)**	(445)
Net finance income/(loss) (notes 2 and 3)	**53**	(6)
Total defined benefit profit/(loss)	**48**	(11)
Defined contribution costs (note 5)	**(147)**	(112)
Total profit and loss charge	**(99)**	(123)

The impact of the defined benefit and defined contribution profit and loss account charge can be analysed as follows:

	2019 £'000	2018 £'000
Return on assets (in excess of interest)	**1,086**	(525)
Changes in assumptions underlying the present value of the scheme liabilities	**(742)**	1,081
Actuarial gain before asset ceiling restriction	**344**	556
Reversal of asset ceiling restriction	**-**	1,321
Provision for remaining certified pension contributions	**-**	(129)
Reversal of provision for remaining certified pension contributions	**129**	-
Pension contributions accrued in prior year but not dealt with in Other Comprehensive Income	**54**	-
Adjusted actuarial gain	**527**	1,748

Notes to the financial statements

14 Pension scheme asset (continued)

The movement in deficit during the year was:

	2019 £'000	2018 £'000
Surplus in scheme at the beginning of the year	**1,737**	894
Movement in the year		
- Contributions	**190**	298
- Administrative expenses	**(5)**	(5)
- Actuarial gain due to changes in financial assumptions	**344**	556
- Interest on plan assets	**531**	439
- Interest cost	**(478)**	(445)
Surplus in scheme at the end of the year	**2,319**	1,737

The expected return on plan assets is based on expectations at the beginning of the period for returns over the entire life of the benefit obligation.

The movement in assets during the year was as follows:

	2019 £'000	2018 £'000
At beginning of year	**18,689**	19,421
Interest return on plan assets	**531**	439
Return on plan assets	**1,086**	(525)
Employer contributions	**190**	298
Administrative expenses	**(5)**	(5)
Benefits paid	**(954)**	(939)
At end of year	**19,537**	18,689

The movement in liabilities during the year was as follows:

	2019 £'000	2018 £'000
At beginning of year	**(16,952)**	(18,527)
Interest cost	**(478)**	(445)
Actuarial (loss)/gain – changes in assumptions	**(742)**	1,081
Benefits paid	**954**	939
At end of year	**(17,218)**	(16,952)

Notes to the financial statements

15 Financial instruments

	2019	2018
	£'000	£'000
Financial assets		
Cash and cash equivalents	**202**	73
Financial assets measured at amortised cost	**1,961**	1,721
	2,163	1,794
Financial liabilities		
Financial liabilities measured at amortised cost	**6,890**	6,570

Cash and cash equivalents represent cash at bank and in hand.

Financial assets measured at amortised cost comprise trade debtors, accrued income and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, obligations under finance leases, amounts owed to fellow group undertakings and accruals.

16 Share capital

Authorised share capital:

	2019	2018
	£'000	£'000
1,500,000 (2018: 1,500,000) Ordinary shares of £1 each	**1,500**	1,500
	1,500	1,500
Allotted, called up and fully paid:		
1,488,011 (2018: 1,488,011) Ordinary shares of £1 each	**1,488**	1,488
	1,488	1,488

17 Reserves

Called up share capital
Nominal value of shares which have been issued.

Share premium
Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account
Includes all current and prior period retained profits and losses.

Notes to the financial statements

18 Guarantees and other financial commitments

(a) Lease commitments

At 30 November 2019 the company had total commitments under non-cancellable operating leases as follows:

	2019		2018	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Operating lease commitments payable				
- within one year	**79**	**95**	40	271
- between one and five years	**234**	**139**	-	70

(b) Contingent liabilities

The company, together with certain other group undertakings, is a member of a group for VAT purposes, and technically stands liable in the event of default by any other group undertaking.
In late 2017 HSBC Bank plc became the principal bankers to the group. This Senior Facilities Agreement now provides for a revolving facility of up to £16.2 million and a mortgage facility of £8.0 million, with a corresponding overdraft facility of up to £3.5 million. The group entered into a cross-guarantee and floating charge agreement on that same date covering these facilities. The facilities expire on 5 December 2021 but are renewable at that date.

19 Post balance sheet events

The UK Government has designated bus operation to be an essential service in the Coronavirus crisis prevalent at the date of these accounts. Passenger numbers had fallen steeply even before the very severe restrictions on travel for all but key workers introduced on 23 March 2020. In this light Government has taken steps, through specific direction provided by the Cabinet Office to all arms of the State at both national and local level, to ensure that bus companies have sufficient cash flow to support the operations that they are running. These measures cover the maintenance of Bus Services Operator's Grant, concessionary fares re-imbursements and payments for contracted bus services broadly at their pre-crisis levels.

Internally the board has taken a number of steps to align the bus services being operated with local requirements, reduce commensurately the costs of operation and conserve cash. These measures include the rescheduling of services to run an enhanced Sunday-level timetable; reduction in driver rosters; suspension of discretionary capital expenditure; termination of vehicle operating leases where possible; and placing a significant proportion of the workforce into the Coronavirus Job Retention Scheme.

Given the early stage of this crisis and its unknown duration it is impossible to quantify at the current time what effect the crisis will have on the business of the company or its assets, liabilities, shareholders and employees. Potential effects might include write downs in now redundant property, plant, equipment and inventory; write off of trade and other receivables; re-evaluation of the pension scheme asset; mark to market losses on fuel derivative contracts given current oil prices and associated tax effects.

The board has concluded that the Coronavirus pandemic is a non-adjusting post balance sheet event.

Notes to the financial statements

20 Capital commitments

As at 30 November 2019 the company had capital commitments in the form of orders for new buses totalling £785,000 (2018: £nil).

21 Related party transactions

The company has taken advantage of the exemption under FRS 102 relating to wholly-owned subsidiary undertakings not to disclose details of sales and purchases with other members of the group headed by Rotala plc. Details of any amounts owed to and from fellow group undertakings are disclosed in aggregate in note 11.

22 Controlling party

The company is a subsidiary of Rotala plc which is the ultimate parent company incorporated in England and Wales. Copies of the consolidated financial statements of Rotala plc are available from Companies House.