Registered in England No. 02652253

WEST MIDLANDS TRAVEL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

WEST MIDLANDS TRAVEL LIMITED

Annual Report and Financial Statements for the Year Ended 31 December 2020

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STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31 December 2020 for West Midlands Travel 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

Covid-19 continues to impact on the Company’s operations but the business retains its key strengths and continues to receive the Covid Bus Services Support Grant (‘CBSSG’). Patronage declined as a result of the pandemic but remains resilient and is now recovering as lockdown measures are lifted.

The Company has an extensive network, offering a high frequency, value for money service to customers. The Company’s strong branded ticketing encourages customer loyalty, whilst multi-operator ticketing supports a competitive market.

Cost control programmes, in areas such as driver productivity and engineering excellence, continue to make progress. In addition, revenue growth initiatives continue, including bulk sales to big employers and institutions; network reviews; marketing; and continued investment in improving fleet quality.

The Company’s first batch of 29 electric vehicles became operational in 2020. Later in 2021 we will start operating our first batch of 20 hydrogen buses and continue to drive our strategy to replace our entire diesel fleet with zero emission vehicles by 2030. This will start with a significant fleet replacement in Coventry, which secured funding to become the first all-electric bus city.

The Company’s partnerships with local stakeholders are vital to create the right environment to operate its business successfully. The Company works with the local integrated transport authority, Transport for West Midlands, and seven local authorities to promote transport across the region. The rolling programme of network reviews continues.

On 31 December 2020 the Company disposed of a subsidiary company, Taybus Holdings Limited, which operated bus services in Dundee, Scotland. Consideration received, net of costs, was £10,524,000 and resulted in a profit on disposal of £2,290,000.

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

	2020	**2019 (restated)**	**%**
	£'000	**£'000**	
Revenue	171,952	262,925	(34.6)%
Other operating income	93,145	-	N/A
Operating profit	5,910	28,367	(79.2)%
Shareholders' funds	28,640	67,039	(57.3)%

Combined revenue and other operating income increased in the year to £265,097,000 compared to £262,925,000 in 2019 resulting from Job Retention Scheme and CBSSG income, mitigating a decline in commercial revenue from Covid-19.

Operating profit (before exceptional items) for the year amounted to £5,910,000 (2019: £28,367,000).

Shareholders' funds decreased as a result of net movements in retained profits, dividends, hedge movements and actuarial movements net of deferred tax in respect of the Company's defined benefit pension scheme.

There were no key non-financial performance indicators.

S172 statement

This statement is made in accordance with section 414CZA Companies Act 2006 (as amended).

In accordance with their duties under section 172(1) Companies Act 2006, the Company's Directors have collectively, and individually, acted in a way that they consider, in good faith, promotes the success of the Company for the benefit of its members as a whole.

In doing so they have had regard, not just to financial factors – denoted by the symbol – but also the factors specified in s.172(1)(a) to (f) Companies Act 2006 (the "Factors") – denoted by the symbols shown below.

The table below explains why the Directors always have regard to the Factors in their decision-making:

Factor	Explanation of why Directors have regard to this Factor
(a) The likely consequences of any long-term decision	Our renewed Vision – which is to be the world leader in mass transit and lead in safety, reliability and environmental standards, and is rooted in a belief that driving modal shift from cars to high quality mass transit is fundamental to a safe, green and prosperous future - means that we must make decisions for the long-term and that we must also consider the impacts of such long-term decisions as regards their ability to further and achieve our Vision. Further information about the Group's Vision, and how this has formulated our Purpose and is underpinned by our Values, is set out on page 18 of the Directors' Report.
(b) The interests of the Company's employees	Our employees and members of our wider workforce are our most valuable asset. They are the key to realising our Vision and achieving our Purpose. See page 8 of the Directors' Report for information about how we engage with our employees to enable us to take their views and interests into account in decision-making.
(c) The need to foster business relationships with stakeholders	Our customers are the heart of our business and we strive to earn their loyalty by providing safe, reliable and great value multi-modal services. We also foster strong relationships with other key stakeholders including central and local government and transport authorities, elected members, our regulators, industry groups and our suppliers. See page 13 of the Directors' Report for who our key stakeholders are and how we foster relationships with them to enable us to take their views and interests into account in decision-making.
(d) The impact of the Company's operations on the community and environment	We play a vital role in the communities we serve by connecting the people who live in those communities with their work, leisure, family and friends. We are also focused on reducing the environmental impact of our operations. Per passenger, bus travel is less polluting than trains and vastly better than petrol and diesel cars. We are now taking this one step further through our 2030 pledge to replace all of our diesel fleet with zero emission vehicles. As such, modal shift (getting people out of cars and onto buses) is the single most important thing we can do. Because of this, we take both the community and the environment into careful consideration in our decision-making.
(e) Maintaining a reputation of high standards and business conduct	Our reputation is key. It underpins our ability to earn the loyalty of our customers and thereby to grow our business through increased commercial passenger journeys and contract wins. We pride ourselves on being one of, if not the, safest transport service providers in the world. As a bus operator, we are also required to hold and maintain a PSV operator licence, pursuant to which we must meet a requirement of good repute. We will always therefore consider the importance of our reputation when making decisions.
(f) Acting fairly between members of the Company	We are a wholly owned subsidiary and therefore have only one shareholder to whom we are accountable. That said, everything we do well benefits our sole shareholder, financially through the returns we generate and reputationally through the way we operate. See page 31 onwards of the Financial Statements for information on financial performance.

The table below describes certain key decisions taken by the Company's Directors during its financial year ended 31 December 2020 and how the Board had regard (among other matters) to the Factors in those decisions:

Key Board Decision	Factor(s)	Explanation of how the Directors have had regard to these Factors
Introduction of 29 new electric buses into the fleet and agreement reached with Birmingham City Council to operate 20 new hydrogen buses		The new vehicles have expected useful economic lives of 18 years, contributing to the Company's fixed asset base and enabling it to use those assets to continue to provide its bus services in the long-term
		Newer vehicles are more reliable and provide a better experience both for our customers journeys and our drivers' driving experience, together with lower costs of ongoing maintenance for the Company
		The new vehicles have lower emissions than traditional diesel buses, to the benefit of both the local communities and the environment, also advancing the Company's reputation as one which rightly cares about these matters
		The purchase of the electric vehicles from the Company's long-term bus supplier, with whom the Company worked to develop the design and specification of the such vehicles, served to continue to foster good relations with such supplier
Completed the upgrade of buses by retro-fitting engines to bring them up to the cleanest EURO VI emission standard		The upgrade increased the value of these fixed assets, enhancing the Company's fixed asset base and enabling it to use those assets to continue to provide its bus services in the long-term
		The upgrades reduce the carbon and nitrogen oxide emissions from these vehicles, to the benefit of both the local communities they serve and the environment, also advancing the Company's reputation as one which rightly cares about these matters and ensuring readiness for Birmingham's Clean Air Zone in July 2021
		The Company fostered a new relationship with a new supplier for the majority of the upgrade work and received Government grant funding to part pay the costs
Utilisation of the Covid Bus Services Support Grant ('CBSSG'); submission of claims and liaison with the Department for Transport		Ensuring financial viability of the operation during a period of supressed passenger demand, thereby protecting the business and its employees
		Maintaining a control of expenditure during the period of CBSSG to further protect the business and to meet the terms of the grant.
		Established a strong relationship with the Department for Transport by sharing financial information during the grant support period and submitting all relevant information within timescales
Actions in response to covid-19, including working with TfWM to agree service levels for the region, and protecting staff and customers through enhanced cleaning, PPE and other operational changes		Service levels agreed with TfWM throughout the covid-19 period to ensure that service levels were maintained across the region to serve the community, while maintaining social distancing measures
		Personal protective equipment ('PPE') issued to staff and homeworking established where possible, ensuring the protection of staff and adherence to Government guidelines, along with multiple other operational changes such as one-way systems, protective screens and signage
		New and enhanced cleaning measures identified and deployed, both within the working environments and across the entire fleet, maximising the safety of customers and employees. Further measures to maximise customer safety included the managing of capacity loads and air flow in the buses and requiring face masks for travel
Continued involvement in the West Midlands Bus Alliance to deliver high levels of passenger satisfaction and drive forward investment in bus services		The continued Alliance allows us to continue to foster relationships with many of our key stakeholder groups resulting in improved services for our valued customers through transport improvement initiatives delivered in collaboration with such stakeholders
		The continued Alliance should cement our reputation as a provider of clean and green mass transit and provide us with a platform to make further investment in zero emissions vehicles, providing us with long-term valuable assets

Health and Safety

The safety of customers, employees and the general public is key to the Company's operations and during 2020 our enhanced focus on safety continued. Additional measures were taken in 2020 to protect our employees and customers from the risks of Covid-19, as described in the previous section.

The majority of the Company's buses have CCTV 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.

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 & Financial Statements.

Environment

The Company remains committed to reduce carbon emissions through its day to day activities and focuses on the three main areas of fuel, site energy and waste to landfill. For fleet, the Company's first batch of 29 electric vehicles became operational in 2020 and in 2021 we will start operating our first batch of 20 hydrogen buses. We continue to drive our strategy to replace our entire diesel fleet with zero emission vehicles by 2030.

The Company continues to show improvement against carbon emissions KPIs, showing a reduction in carbon emissions per million passenger kilometres year on year to 79,186 tCO_2e (2019: 125,466 tCo_2e). In addition, year on year reductions have been achieved in energy and water consumption.

The Company continues to score very highly for health and safety audits, receiving a score of 96.14% by the British Safety Council for the 2020 Five Star Health and Safety Audit.

Operational review

Improvements continued to be made to service quality across the operation, whilst continuous review of timetables and routes enabled revisions to be made to reflect changes in both long term and short term demand.

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.

The Company strives at all times to be absolutely fair, reasonable and professional in all its dealings with its employees. The Company has a diverse range of employees, reflecting well the communities it serves, 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 is People and the Company recognises 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. Due to the pandemic, the annual employee engagement survey was replaced by surveys pertinent to the Covid pandemic and as such the

Company conducted wellbeing surveys to identify where better support could be provided. A regular flow of information on Health and Wellbeing was implemented and various supporting tools were made available.

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; garage focus groups; health and safety meetings and other informal meetings.

Effective communication is a key part of the Company's employee engagement strategy and the Company consults with and keeps 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; an on-line portal to access relevant information; divisional and local newsletters; 'toolbox talks'; team meetings and specific briefing sessions.

Principal risks and uncertainties

Coronavirus ("Covid-19") was declared a global pandemic in March 2020. The impact of Covid-19 on the business and the risks associated with its impact on future trading performance is discussed in more detail in the going concern section.

There is also increasing popular, political and customer demand for alternative fuel (electric, hydrogen etc.) vehicles. Such a transition involves potentially material changes in financing, maintaining and operating the assets, creating execution risk.

The defined benefit pension scheme is also exposed to the sensitivity of its assumptions together with the volatility of investments since the balance sheet date following the Covid-19 pandemic.

Approved by the Board and signed on its behalf by:

S J Rollings
Director
16 July 2021

Registered office: National Express House
Digbeth
Birmingham
B5 6DD

WEST MIDLANDS TRAVEL LIMITED

DIRECTORS' REPORT

The Directors present the annual report and audited financial statements for the year ended 31 December 2020.

Principal activities and future developments

The principal activities and future developments 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.

The Covid-19 pandemic clearly had an unprecedented impact on the Company and on the transport sector in general. Patronage in 2020 was well below pre-Covid levels and fluctuated as lockdown measures changed. It has recovered significantly during 2021 and continues to improve, although there continues to be some uncertainty over the short to medium term.

Since March 2020 we have been supported by the CBSSG, which is provided by the Department for Transport to ensure that we operate without incurring operating losses. We continue to receive this support during the ongoing period of uncertainty and social distancing and the programme is in place on a rolling basis until such time as it is no longer needed.

We also have the significant support of our ultimate parent company, National Express Group PLC. The parent has confirmed in a signed letter of support that it will make funding available to the Company to enable it to meet its debts as they fall due for repayment for a period of at least one year following the signature date of these Financial Statements. Even in light of the Covid 19 pandemic, as at year end National Express Group PLC had around £0.9 billion of overdraft and undrawn committed facilities as at May 2021 that it could draw upon.

The Directors of National Express Group PLC recently reviewed financial projections across a range of scenarios; principally including a base case and a reasonable worst case. The Directors also applied reverse stress tests in which in which they assessed the set of circumstances that would be necessary for the Group to either breach the limits of its borrowing facilities or breach the revised covenant tests.

In the base case scenario the Group has a strong liquidity position over the next 12 months; materially above what is required to meet its obligations as they fall due. Furthermore the Group has headroom on all of its revised covenant tests. In the reasonable worst case scenario, and before applying operating and capital expenditure mitigations, the Group has a strong liquidity position throughout and there would also be headroom on the revised covenant tests over the next 12 months. For the reverse stress test, the Directors have concluded that the set of circumstances required to exhaust the level of Group liquidity are so extreme as to be considered clearly remote.

Dividends

The Directors do not propose the payment of a final dividend (2019: £Nil). There was no interim dividend paid during the year (2019: £15,000,000) and no dividend received during the year (2019: £10,000,000).

Directors and their interests

The Directors of the Company who served during the year and up to the date of signing this report, together with their dates of appointment and/or resignation where appropriate, were:

D Bradford
A Cook
S J Rollings
M D Hancock (resigned 18 March 2021)
T F Stables
P R Barlow (resigned 18 June 2020)

The Directors served throughout the year or from the date of their appointment if later or to the date of their resignation.

Directors' qualifying third party indemnity provision

Under the Company's Articles of Association the Company provides an indemnity for its Directors and officers in accordance with the provisions of the Companies Act 2006.

Employee engagement

This statement is made in accordance with paragraph 11(1) of Part 4 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Engaging with employees and taking their views into account

Maintaining a regular flow of communication with employees has been more important than ever this year. In a year of uncertainty, we had ongoing engagement with our colleagues and our recognised union, UNITE, to make sure our employees felt safe with our new ways of working and Covid secure measures. Various methods are used to communicate and engage with the workforce, including:

- the regular issue of business related newsletters, edited by the Company's Managing Director and guest edited from time to time by other managers, providing information about the Company's performance and other matters of interest to staff, including business and operational successes and challenges, patronage trends, new ticket prices or arrangements, new business partnerships, new policies and procedures and top tips for staying safe;
- the regular posting of operational related notices, on Company depot noticeboards for those workers who do not work at a computer or have a work email address, or on the Company's intranet sites and by email for those workers who do, providing information about operational matters, such as route and rota changes, local congestion, accident hot-spots and ticketing changes;
- one-to-team communications between team leaders and their teams, and one-to-one communications between line managers and their direct reports raising awareness of matters covered by corporate communications and newsletters, dealing with team priorities and objectives or dealing with matters relevant to individual employees;
- consultation with Trade Unions where appropriate on matters that affect employees who are their members, including regarding pay and changes in working practices;
- formal consultation with employees where required in accordance with applicable law;

- a monthly 'ask the manager' conference call which employees may join to hear an update about the Company's performance in the month and to ask, anonymously if they wish, any questions they have for management; and
- participation in employee engagement surveys, the results of which are shared with the workforce and, in the case of any areas identified for improvement, action plans are developed, supported by local engagement champions.

Some of our most successful initiatives have been born from workforce engagement. For example, the "Master Driver" programme was developed after drivers gave feedback that there was no clear programme for recognition and career progression. The award-winning Health Bus, which supports the health and wellbeing of our people, was also developed in response to a suggestion made in the employee engagement survey.

Across the Group we also run a variety of programmes which actively seek employees' ideas about how performance can be improved. For example, we have 'Idea Street', which is a programme through which employees can submit their ideas and win prizes if those ideas are implemented. It has been used to reduce fraudulent use of OAP cards, reduce lost mileage due to spillages, reduce the cost of tyre damage and secure more prosecutions of members of the public who spit at drivers.

The views of employees and other workers, obtained via these engagement mechanisms, are often be taken into account by the Directors when taking decisions. Details of how employees' and other workers' interests have been taken into account in some key decisions taken by the Company's Directors during the year under review are set out from page 4 of the Strategic Report.

Involving employees in Company performance

Our Values underpin our strategy and are key to the fulfilment of our Purpose. As such, the promotion of our Values and our encouragement that every member of the Company's workforce live by them is the most effective way of involving them in the Company's performance. Every year, employees can nominate their colleagues for demonstrating behaviours which exemplify our Values. The winners in each value category are given a cash prize and nominated for the Group awards. The overall winners of the Group Values Awards are chosen at an annual event in London which brings employees from across the Group's global businesses together to honour and congratulate their achievements. Despite the pandemic, whilst the annual event did not take place in 2020, Values winners were presented with their awards via video calls.

The Company, as a member of a Group with a large proportion of the workforce based internationally, does not operate an all employee share scheme. Rather, the Company and its Group place emphasis on fair pay structures and local bonus and loyalty schemes to recognise and reward excellent performance and loyalty.

Promoting common awareness among employees of financial and economic factors affecting Company performance

The Company's Directors and members of its executive management teams have an in-depth understanding of the financial, economic and other factors, such as safety, which affect the Company's performance and they have developed key performance indicators (KPIs) for each of these and regularly track and report against such KPIs at the Board's UK Divisional and Business Executive Committee meetings.

Various of the Company's employee engagement mechanisms described on page 9 are also used to provide information about the Company's strategy and explain the key factors that affect the Company's performance to the wider workforce, including those working 'on the front line'. For example, newsletters discuss patronage levels and ticket prices which are the key financial and economic factors affecting our open bus network services, and one-to-team and one-to-one communications cover service performance levels and costs which are the key financial and economic factors affecting our contracted services, all of which in turn are key to the financial health and overall performance of the Company.

Equal opportunities

The Company is proud to be an equal opportunities employer and is passionate about diversity and inclusion. In line with the Group's Equal Opportunities Policy, all employees are treated equally, irrespective of race, gender, disability, age, sexual preference, marital status, employment status, religious or political beliefs and social background.

The Company also gives full and fair consideration to disabled applicants for employment having regard to their skills and capabilities, as confirmed in the Group Recruitment and Selection Policy, and recognises its obligations in connection with the continuing employment and training of members of the workforce who have become disabled whilst in the Company's employment. Where an employee becomes disabled, the objective is to retain their services wherever possible. The Company also works to ensure the continued career development of disabled persons including through training and promotion wherever their skills and capabilities permit.

There is zero-tolerance to any form of discrimination and believe that creating a diverse, inclusive and anti-discriminatory workplace is the hallmark of a successful Company and one that people want to work for. The Company recognises and embraces that each and every person is unique and seeks to listen and learn from one another and celebrate our differences. We value a workforce that is truly reflective of the customers we serve and the communities we operate in as this allows us to understand our customer base.

Everyone is entitled to be treated fairly with dignity and respect and we are all responsible for embedding a culture where we feel our whole self is welcome, accepted, and valued at work. A diverse and inclusive environment strengthens our business and is crucial to the continued development and success of our company.

We strive to build and maintain a culture that creates a better future for our employees, partners, the communities, and our customers by:

- Aspiring to increase the proportion of those in under-represented groups in all levels of the workforce.
- Attracting and retaining the best talent from a diverse pool and support our people to achieve their full potential.
- Ensuring we have an inclusive and accessible working environment that is free from discrimination.
- Striving to empower leaders at all levels to take ownership and deliver change.
- Building and maintaining an environment that respects and values each other's diversity and the contribution they make.
- Encouraging individuals to speak up and notify the company of any concerns.

Our values and standards are supported by our Company policies and procedures to ensure that all of our people and anyone who comes into contact with our business is treated fairly with dignity and respect.

The Company promotes an environment free from discrimination, harassment or victimisation and a culture in which members of the workforce are able to raise concerns without suffering detrimental treatment, including a confidential whistleblowing helpline.

Stakeholder relationships

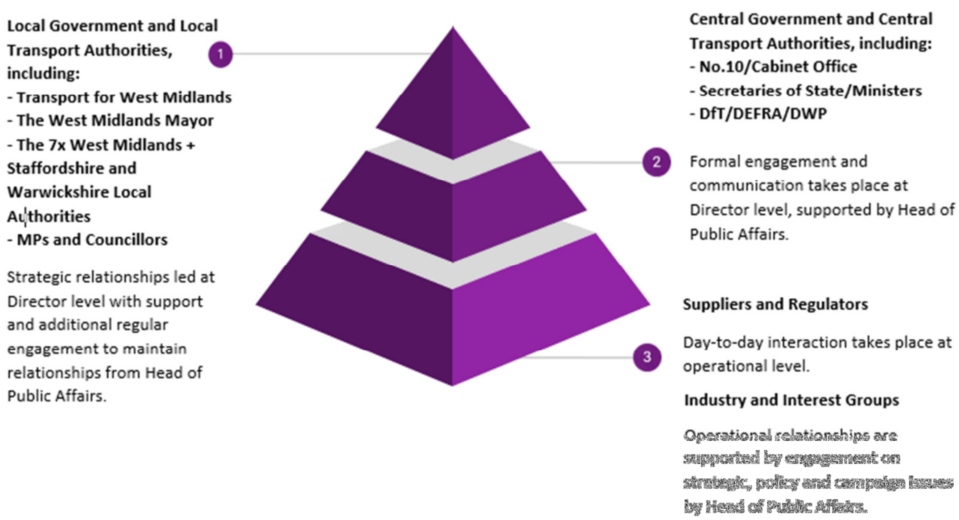
This statement is made in accordance with paragraph 11(B) of Part 4 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

As explained on page 3, the Company strives to be a proactive and trusted partner to its key stakeholders, by seeking to understand their priorities and form alliances with them. The Company does this by identifying and prioritising stakeholders across its business and maintaining a different engagement strategy with them depending on their importance to its business. The table below sets out who the Company's key stakeholders are, why they are key stakeholders and how the Company engages with them:

Key stakeholder	Why a key stakeholder?	How we engage with key stakeholders
Workforce	The Company's best asset is its workforce and is key in achieving the Company's Purpose by upholding its Values and delivering its strategy, particularly by their adherence to the Company's safety and operational standards and their provision of excellent customer service	We engage with our workforce via regular business newsletters, operational notices, one-to-team and one-to-one meetings, dialogue with Trade Unions, recognition and reward schemes and employee surveys. Further details of our employee engagement are set out in our Employee Engagement statement on page 9.
Customers	Our customers are the heart of our business and the source of our revenue so we strive to earn their loyalty by providing safe, reliable and great value multi-modal services on clean and green vehicles and by providing a great customer experience	We engage with our customers and receive feedback from them through our bus app, social media, our customer service centre, customer surveys, consumer testing of new digital technology developed to improve the customer experience, customer panels where a dialogue with customers is maintained and through the West Midlands Combined Authority and West Midlands Bus Alliance
Local Government and Local Transport Authorities, including: • Transport for West Midlands • The Elected Mayor for the West Midlands • Birmingham, Coventry and other relevant City Councils	These stakeholders are collectively highly influential to our business as they can help us to provide more effective, efficient and good value services for our customers, so we pro-actively work alongside them and maintain open channels of dialogue As the largest local authority and managing the centre of the West Midlands transport network, Birmingham City Council is a particularly important stakeholder	We engage in regular meaningful dialogue with relevant local and regional decision makers to help shape thinking in advance of the formal policy developments Our partnership approach in the West Midlands – including the pioneering West Midlands Bus Alliance - has won us many awards, cemented our industry leadership and delivered many benefits to our business and customers We proactively respond to relevant local government consultations and communicate this through the media where appropriate
Central Government and Central Transport Authorities, including: • No.10 / DfT / DEFRA / DWP • Relevant Secretaries of State/Ministers • Highways England	Central Government is key to setting polices and regulation that can affect our business, so we work closely with this stakeholder group to ensure that policy-makers understand our operational requirements and consider them when developing policy	We engage in regular meaningful dialogue with Government departments to help shape thinking in advance of the formal policy developments We have established strategic quarterly meetings attended by a Director and those with relevant expertise in the business for key stakeholders such as Highways England and we provide representation on relevant external Boards including Highways England Bus We proactively respond to relevant national government consultations and communicate this through the media where appropriate
Elected members, such as MPs and Councillors	We gain useful knowledge and support from elected members as representatives of their residents/constituents, so we seek to engage with them whenever appropriate	We inform and engage elected members when we make large-scale changes to bus networks in an area through our public consultation process We also engage in regular meaningful dialogue with MPs and Councillors on bus issues that are important to their residents/constituents
Regulators, including: • Traffic Commissioner • DVSA • DVLA	The Traffic Commissioner – as the operating licence authority – and the DVSA and DVLA – as regulators of vehicle standards and driver licensing – are vital to the lawful operation of our bus services	We ensure that we keep the Traffic Commissioner fully appraised of any changes or developments through regular communication We work collaboratively with the DVSA to ensure our vehicles adhere to their standards and with the DVLA to ensure our drivers are duly licensed

Industry and interest groups	We are a member of the Confederation of Public Transport (CPT); Campaign for Better Transport; and Chambers of Commerce in Birmingham and the Black Country These stakeholders provide us with specialist knowledge and help us to amplify our message	We attend regular meetings of the CPT, give support to the Campaign for Better Transport and liaise as appropriate with the Chambers of Commerce As noted above, we led the establishment of the West Midlands Bus Alliance Board alongside the West Midlands Combined Authority, Transport Focus, the police and others and it acts as a forum for cohesive engagement and collaboration on topics of common interest
Suppliers	Our suppliers are vital in helping us to deliver our services in an effective, efficient and good value way and thereby help us to achieve our strategy and Purpose	We recognise the value of building strong relationships with our suppliers and our procurement teams work collaboratively with them to agree and then meet mutually acceptable contract terms and ensure there are no disruptions to supply chain

A pyramid approach is used to ensure stakeholder engagement takes place at the right level of the business so that the right people in the business (whether strategic or operational) lead the relationships with their equivalents in stakeholder organisations, as illustrated by the diagram below:



Details of how certain stakeholders views and interests have been taken into account in, and affected, some key decisions taken by the Company's Directors during the year under review are set out in the Company's s.172(1) Statement on page 4 of the Strategic Report.

Financial risk management objective and policies

a) Cash flow risk
The Company's activities expose it to market risks relating to fuel prices. It is the Company's policy to hedge this exposure 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 17.

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 the National Express Group or with public bodies. The Company 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.

Statement of corporate governance arrangements

This statement is made in accordance with paragraphs 23 and 26 of Part 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Corporate Governance Framework

The Company's corporate governance framework is designed to enable its Board of Directors to take appropriately high-level decisions and to delegate to Committees appropriate oversight activities and operational decisions. The framework also reflects the facts that the Company is a wholly-owned (indirect) subsidiary of National Express Group PLC (LSE:NEX), and one of a number of companies comprised in the National Express UK Division, which includes National Express Group PLC's UK bus and coach operating companies, which receive support from various functional teams who support both UK bus and coach.

WEST MIDLANDS TRAVEL LIMITED

Corporate Governance Framework continued

The diagram below illustrates the nature and explains the composition of the organs which are comprised in the Company's corporate governance framework, and the relationships between them:

Shareholder

The Company is ultimately owned by National Express Group PLC, to whom the Company and its Board of Directors regularly report via monthly UK Divisional Executive Reports which are discussed in monthly Group UK Executive meetings, and otherwise via ad hoc reporting as required. The Company also complies with appropriate directions given by National Express Group PLC as its ultimate parent company and shareholder, subject to the Directors' duties.

Board of Directors

The Company's Board of Directors is collectively responsible for the long-term sustainable success of the Company, through establishing the Company's purpose, strategy, risk appetite and governance arrangements. The Board has a formal list of matters reserved to it, details of which are set out on page 4. The Board meets quarterly or more frequently as required to discharge its responsibilities. Other matters are delegated by the Board to its UK Divisional and Business Executive Committees. Biographies of the individuals who comprised the Company's Board of Directors during the year under review are set out on page 17.

UK Divisional Committee

The UK Divisional Committee, which reports into the Board of Directors, is comprised of the UK Division Managing Director and Finance Director, the Company's Managing Director and Finance Director and has co-opted to it the UK Division's functional heads of service, including the UK Safety, Operations, Commercial, Sales & Marketing, Property and HR directors. The Committee has agreed terms of reference, details of which are set out on page 16, and meets monthly to discuss cross-Divisional risks and opportunities and agree cross-Divisional initiatives.

Business Executive Committee

The Business Executive Committee, which also reports into the Board of Directors, is comprised of the Company's Managing Director and Finance Director and their direct reports in the areas of safety, operations, finance and commercial. The Committee has agreed terms of reference, details of which are set out on page 16, and meets weekly to review the Company's safety, financial and operational performance and to refer appropriate matters to either the UK Divisional Committee or the Board of Directors for information or approval.

Our Approach to Governance

The Company has developed an internal governance policy – "One Team Moving People" - which expounds the philosophy and promotes the behaviours of the Board and its Committees when governing the Company. Further details are set out on page 16.

WEST MIDLANDS TRAVEL LIMITED

Corporate Governance Framework continued

The table below summarises the matters which are reserved to the Company's Board of Directors and those which, in accordance with their respective terms of reference, are delegated by the Board to its UK Divisional Committee and its Business Executive Committee:

Board Reserved Matters	UK Divisional Committee Delegated Responsibilities	Business Executive Committee Delegated Responsibilities
➢ Approve the Company's strategy and risk appetite ➢ Approve the Company's business plans and budgets ➢ Approving the Company's accounts and the payment or recommendation of interim and final dividends ➢ Approve acquisitions and disposals of companies, businesses and material assets ➢ Approve joint venture and partnership arrangements ➢ Approve borrowings, swaps and guarantees ➢ Approve capital and operating expenditure above a certain level ➢ Approve the Company's entry into or variation of material contracts above a certain value ➢ Approve the issue, defence and settlement of legal proceedings above a certain value ➢ Approve Director appointments and removals ➢ Review the effectiveness of the management of the Company's transport operations and compliance with its operator licence undertakings ➢ Review the Company's compliance with its other legal obligations ➢ Review the effectiveness of the Board's corporate governance arrangements and each of its corporate governance statement, s.172(1), stakeholder engagement and employee engagement statements ➢ Receive reports on the activities of the UK Divisional Committee and the Business Executive Committee	➢ Review the Company's performance against its strategy and make recommendations to the Board regarding any change in strategy ➢ Review the Company's risks and the actions being taken to mitigate those risks and make recommendations to the Board regarding any change in risk appetite ➢ Monitor the Company's performance against its approved business plans and budgets ➢ Identify and develop business initiatives and review the Company's progress against those initiatives ➢ Approve all new health and safety policies and procedures and variations thereto ➢ Oversee succession planning for senior management ➢ Review and approve organisational changes and major changes to employment conditions and pension arrangements ➢ Report to the Board of Directors	➢ Monitor the Company's performance against KPIs ➢ Review and approve major changes to pricing strategy, including fares, and to the service offering, including routes and timetables ➢ Approve acquisitions and disposals of less material assets ➢ Approve the Company's entry into or variation of less material contracts ➢ Approve capital and operating expenditure below a certain level ➢ Approve the issue, defence and settlement of legal proceedings below a certain value ➢ Approve changes to employment conditions, including any negotiated with trade unions ➢ Review all major health & safety incidents to establish the root cause and devise any improvement plans ➢ Report to the Board of Directors

The table below provides more details about the Board's and its Committees' approach to governance:

The Company's "One Team Moving People" expounds the philosophy that good governance gives the Company:

- the ability to understand and identify opportunities and risks;
- the capability to use the Company's resources to capitalise on or manage them; and
- the agility to do so quickly and overcome resistance to change,

thereby, enabling the Company to deliver for its shareholder and other stakeholders.

It promotes the following behaviours in governance meetings:

- Truth – everyone should express views openly and honestly
- Respect – everyone should listen and learn
- Debate – everyone has the right to challenge and respond
- Independence – there should be no "group-think"
- Commitment – everyone should deliver on their actions
- Preparation – everyone should prepare and be prepared

And is underpinned by the following practical requirements for governance meetings:

- Mandatory and punctual attendance
- Clear agendas and timings
- Timely and well-prepared papers

WEST MIDLANDS TRAVEL LIMITED

Corporate Governance Framework continued

Short biographies of the individuals who were Directors of the Company during the year under review, together with an explanation of the key strengths and contributions to the Board, are given in the table below:

Tom Stables UK Division & Germany Managing Director	**David Bradford** UK Bus Managing Director
Tom joined the National Express Group in 2011 as Business Development Director and was appointed Managing Director, UK Coach in 2012. In May 2017 Tom was appointed as Managing Director of the whole National Express UK Division, including UK coach and UK bus, and as Managing Director the Group's German Rail operation. Prior to joining the Group, Tom worked for First Great Western Trains as Commercial Director, First Group America as Senior Vice President Commercial Development (among other positions) and for KPMG. Tom is a qualified Chartered Accountant and his particular strengths lie in his strategic thinking, his ability to identify and capitalise on opportunities, his financial literacy and his strong leadership skills, including in particular through his strong focus on people development and management.	David has been with the National Express Group for 11 years, including as Bus Commercial Director from 2011 to 2018 and as Managing Director of UK bus (including the Company) since then. Prior to this, David worked for FirstGroup in various roles across its UK rail, bus and North American operations. David brings particular strengths in strategic thinking, commercial focus and stakeholder relations, including the development of the West Midlands Bus Alliance. David also has a strong focus on UK bus operations, supported by his direct reports in safety and operations, and in winning new business and delivering projects, supported by his direct reports in commercial and business development.
Steve Rollings UK Bus Finance Director	**Adam Cook** UK Property Director
Steve is a chartered accountant with over 20 years' experience in both practice and industry. He has been with the National Express Group for 11 years, holding a number of financial positions within the Group, including Group Chief Accountant and Deputy Group Controller. In 2019 Steve was appointed as Finance Director of UK bus (including the Company). Steve trained and worked at KPMG, before taking on a number of financial accounting roles in large listed and private equity companies. Steve brings to his role extensive experience of financial control and reporting, process change, cash management and technical assurance for projects.	Adam joined the National Express Group in 2017 as the UK Property Director, advising and assisting all the National Express UK Division companies (including the Company) on property matters. This is particularly relevant to the Company in view of its large portfolio of bus depots. Prior to joining the Group Adam worked as a consultant for Nottingham Fire & Rescue Service, and also held roles with NHS UCLH Foundation Trust as Head of Facilities Management and Commercial Services; British Midlands Airways as Head of Property and Airport Development and various roles within British Airways. Adam has an MSc in The Built Environment and a Management Studies Diploma and brings to the role a technical property and management expertise and the ability to balance long term planning and strategic targets with operational requirements.

Corporate Governance Code

In 2019 the Company enhanced its existing governance framework and approach by adopting the Wates Corporate Governance Principles for Large Private Companies issued by the Financial Reporting Council (the "Wates Principles"). The way in which the Company complied with the Wates Principles during its financial year ended 31 December 2020 is explained in the table below:

<table>
<tr><th>Wates Principle</th><th>Explanation of Compliance</th></tr>
<tr><td>Purpose and Leadership – An effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose</td><td>During the year under review, the Company's ultimate shareholder, National Express Group PLC ("NEG PLC"), reviewed and renewed its Purpose to better reflect its role and that of its subsidiaries (together, the "Group") in society. The Group's Vision is to be the world leader in mass transit and lead in safety, reliability and environmental standards, which Vision is rooted in a belief that driving modal shift from cars to high quality mass transit is fundamental to a safe, green and prosperous future. The Group's Purpose is to help lead this modal shift by making mass transit an increasingly attractive option for all its customers by earning their loyalty by providing safe, reliable and great value multi-modal services on clean and green vehicles. The Company, as a subsidiary of NEG PLC, has adopted this same Purpose and its strategy is geared towards achieving the same.

The Company has adopted the same core five Values as are held by NEG PLC as they provide the best framework to deliver the Group's renewed Vision and Purpose. These Values are:
Safety – to be the safest mass transit operator in the communities we serve
Excellence – to be the leader in every market we operate in, trusted to deliver service excellence, consistently
Customers – to be the most trusted and valued mass transit partner
People – to be the place to work in mass transit
Community and Environment – to be the world's greenest mass transit operator; a trusted partner to the communities we serve
Our Values make clear our priorities and form the foundations of the Group's culture:
Safety is our highest priority and underpins everything we do. The Group's "Driving out Harm" programme introduced in 2011 and involving multiple safety initiatives had by 2019 reduced the Group's Fatalities and Weighted Injuries score by more than 80%. The Group's "Target Zero" ambition adopted in 2017 was also achieved by 2019 through the Group having no responsible fatalities. The Company, as an integral part of the Group, helped deliver these considerable achievements; its own contribution highlighted through its repeated high scores for health and safety from the British Safety Council.
The combination of Excellence in the delivery of our operations, including through the development and implementation of Standard Operating Procedures, our focus on putting the Customer at the heart of what we do, including by the development of the "NX Way" for customer service teams, and our investment in our People, including through the "Master Driver" and "Master Technician" programmes which recognise and reward the most skilled and dedicated drivers and vehicle technicians, support the delivery of the Company's strategy. These initiatives also make a collective contribution to the Community as they each help achieve the provision of quality bus services to the people living in the communities we serve.
The Environment has also been given significantly greater prominence by the Company and the Group, as evidenced through the Group's pledge never to buy another diesel bus in the UK and its ambition to achieve zero carbon emissions in UK bus by 2030. This ambition also serves the Community by helping to ensure cleaner air in the cities and regions we serve.
The Board actively communicates the Company's Purpose and promotes its Values via direct channels of communication between Directors and the workforce and through the adoption and promotion of the Group's standards, policies and procedures, such as its Global Safety Standards and its Anti-Bribery and Corruption, Anti-Slavery and Human Trafficking, Anti-Bullying and Harassment and Whistleblowing Policies, and the Company's own policies on fair employee practices and supplier protocols, which all promote a healthy corporate culture. The Board also monitors the Company's culture to assess whether the Company is living by its Values which, as noted above, support the achievement of its strategy and Purpose. Further details about the ways in which the Directors engage with the workforce are set out in the Company's employee engagement statement on page 9 of this Directors' Report.</td></tr>
<tr><td>Board Composition – Effective board composition requires an effective chair and a balance of skills,</td><td>During the year under review, the Company's Board was comprised of six individuals who held senior roles in the management and operation of the Company: the UK Division Managing Director and Finance Director (each of whom also served on NEG PLC's UK Executive Committee and on the boards of other companies within the Group's UK Division); the Company Managing Director and Finance Director (each of whom also served throughout the year on the boards of other companies within the</td></tr>
</table>

backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company	UK Bus Division); the Business Development Director and the UK Property Director. Biographies of the Directors are set out on page 17 and demonstrate the diverse range of the experience, skills and knowledge held by them. Collectively, such Directors are able to use these experiences, skills and knowledge to make valuable contributions to decisions in their day to day managerial work and in Board and Committee meetings. Their different backgrounds and skillsets also enable them to bring diverse perspectives to bear on decision-making and contribute to effective debate and challenge at Board and Committee meetings. Board and UK Divisional Committee meetings are chaired by the UK Division Managing Director, who, together with the UK Division Finance Director, provide strategic direction and an understanding (due to their roles on NEG PLC's UK Executive Committee) of the Company's contribution to the Group's objectives. Business Executive Committee meetings are chaired by the Company Managing Director who, together with the Company Finance Director, provide managerial direction, support and challenge to all their respective direct reports. As all Directors are engaged in the management of the Company and none hold any employment or professional engagements outside of the Company (or, in the case of the UK Division Managing Director and Finance Director, other members of the Group), all Directors have sufficient capacity to fulfil their legal responsibilities and make effective contributions to the management of the Company. In view of the size of the Company and scale and nature of its operations, the size and composition of the Board is currently considered appropriate.
Directors Responsibilities – *The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge*	The Company's governance framework and approach to governance, as explained from page 14, guides the Directors on their legal responsibilities and accountability to deliver sustainable value for the benefit of the Company's shareholder, after duly taking into account other stakeholder interests, and otherwise in their general conduct. Those matters also provide a roadmap to support good governance, effective decision making and independent challenge, including by prescribing that Board and Committee papers are provided in a timely manner in advance of meetings and that these are read and digested prior to each meeting to enable effective contribution by all those present and by encouraging open and active debate among and challenge at Board and Committee meetings to facilitate better decision-making. From time to time, the Company's Directors also receive refresher training on their legal duties and responsibilities as directors of an English company. During the year under review, the Directors received training on their new reporting obligations under the Companies (Miscellaneous Reporting) Regulations 2018 and on the scope and import of the Wates Principles, pursuant to which these disclosures and explanations are being made. They also received refresher training on their duties under s.172(1) Companies Act and training on the new reporting obligations under s.414CZA Companies Act 2006 (as amended) and Part 4 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).
Opportunity and Risk – *A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks*	The Company's approach to governance, as explained from page 14, promotes the identification of both opportunities and risks through the open debate and challenge it encourages. The Board's UK Divisional Committee, as a Committee comprised of the UK Divisional Managing Director and Finance Director (with their oversight of the entire UK Division) and of the functional heads of services (which support the Company and all other companies within the UK Division), also serves an integral role in the identification and exploitation of opportunities and the identification and management of risk. For example, opportunities for the Company and its bus operations will arise out of the Group's coach operations, and vice versa, and common risks will be identified together with the best means of managing them. The Company reports monthly to its ultimate shareholder on its opportunities and risks. During the year under review, the Company also contributed to the development of a UK Divisional Risk Register which, through a series of workshops between the Group's risk team and the Company's business teams, identified the key risks affecting or that could affect the Company (and other companies within the Group's UK Division), devised plans using the Group's three lines of defence model to manage and, where possible, mitigate those risks, and agreed accountability for who was responsible for managing or mitigating each risk. A rigorous review of the UK Divisional Risk Register by the NEG PLC Audit Committee in November 2019 concluded that it was comprehensive, robust and had added real value to UK Division's management of risk. The principal financial risks for the Company, and how these are mitigated, are set-out on page 13 of the Strategic Report.
Remuneration – *A board should promote executive remuneration*	The Company, together with other companies comprised in the Group's UK Division, has an established executive remuneration policy, the principal purpose of which is to ensure that executive remuneration is aligned with long-term sustainable success of the Company (and its wider Group).

structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company	In addition to competitive base pay levels and appropriate benefit packages, UK Divisional and Company senior managers are invited to participate in the Senior Management Bonus Plan or the Management Bonus Plan (together, the "Plans"). The Plans are designed to seek alignment between the Company's and its wider Group's Vision, Values and strategy and executives' individual objectives via participants being set a mix of weighted safety, financial and other objectives geared towards achieving the Group's Vision, Values and strategic plans. Bonus pay-outs under the Plans are dependent on the Group's achievement of certain threshold financial and safety targets, the UK Division's (including the Company's) achievement of financial and safety targets and participants' personal performance against their individual objectives. The Plans are designed to reward outstanding performance, rather than expected performance. In addition to the Plans, certain of the Company's senior executives are eligible to participate in the NEG PLC Long-Term Incentive Plan ("LTIP"). NEG PLC's Remuneration Committee grants annual LTIP awards of nil cost options over NEG PLC shares to certain selected individuals, the maximum potential value of which awards are based on a percentage of their salaries. All LTIP awards are subject to weighted performance metrics, including NEG PLC's total shareholder return, earnings per share and return on capital employed plus two recently added environmental performance metrics, which are measured over a three-year performance period. The performance metrics are designed to align participants interests with those of the long-term sustainable success of the Group. The precise performance conditions, their weightings and their vesting levels are set out in NEG PLC's Annual Report and Accounts. The Company's and UK Division's executive remuneration policy also takes account of the pay and conditions of the Company's and UK Division's wider workforce, as well as the respective levels of responsibility held by mangers and other members of the workforce. The majority of the Company's and UK Division's wider workforce are drivers and vehicle technicians whose pay levels and conditions are negotiated through discussions with Trade Unions. The outcome of these discussions and other important pay initiatives promoted by the Company's management, such as the Company becoming in 2017 the first Living Wage employer in the West Midlands region and the recognition and reward given to long-serving and loyal employees through various share-based and cash awards and benefits, are taken into account both in setting executive base salary levels and in making bonus awards under the Plans and LTIP awards under the LTIP.
Stakeholder Relationships and Engagement – *Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions*	The Company strives to be a proactive and trusted partner to its key stakeholders, by seeking to understand their priorities and form alliances with them. This is because investing in long-term relationship building helps the Company to deliver its strategy and objectives more effectively and mitigates potential barriers in doing so and thereby achieve its Purpose and Vision. Further details of the approach taken by the Company to fostering relationships with its key stakeholders, who the Company's key stakeholders are and how the Company has engaged with them during the year under review is set out in the Company's stakeholder engagement statement on page 13 of this Directors' Report. Furthermore, details of how the Directors have had regard to stakeholders' views in some key decisions taken by them during the year under review are set out in the Company's section 172(1) statement on page 4 of the Strategic Report.

WEST MIDLANDS TRAVEL LIMITED

Post balance sheet events

There have been no material post balance sheet events.

Auditor

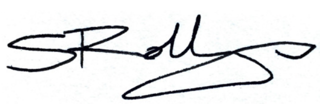
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



S J Rollings
Director

16 July 2021

Registered Office:
National Express House
Digbeth
Birmingham
B5 6DD

WEST MIDLANDS TRAVEL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the 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.

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 jurisdiction

INDEPENDENT AUDITOR'S REPORT
to the members of West Midlands Travel Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements West Midlands Travel Limited:

- give a true and fair view of the state of the company's affairs as at 31st December 2020 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
- 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 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- review current performance of the 'company' against management's forecasts
- assess whether the ultimate parent National Express Group plc is able to provide financial support for the next 12 months from the date of signing the accounts. As part of the procedures performed, we have used our going concern assessment prepared for the annual report of National Express Group plc published on 8th April 2021 and have extended our work for the period in-between. We have evaluated the following information:

- National Express Group plc's actual performance against management's reasonable worst case scenario
- any changes to management's key estimates and judgements
- events after the publishing of the annual report impacting the going concern assessment including external impacts and other significant items
- changes to the liquidity position and covenant compliance

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Traffic Commission regulations, Health and Safety at work legislation, Employment laws and Bribery Act 2010.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for in the following area, and our specific procedures performed to address it are described below:

- Completeness and accuracy of deferrred revenue in relation to prepaid travelcards: Completed testing on the deferred revenue balance by recalculating the deferred income held based on journeys paid for vs. travelled by the year end; reviewed revenue streams within the Company to ensure revenue recognition policy is in accordance with IFRS 15.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and] reviewing internal audit reports.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic 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 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

Jonathan Dodworth (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
16 July 2021

WEST MIDLANDS TRAVEL LIMITED

Profit and Loss Account
For the Year Ended 31 December 2020

	Note	2020 £'000	2019 (restated) £'000
Revenue	3	171,952	262,925
Other operating income	3	93,145	-
		265,097	262,925
Operating costs	4	(259,187)	(234,558)
Operating Profit before exceptional items		5,910	28,367
Exceptional items	4	(5,336)	-
Operating Profit	4	574	28,367
Interest receivable and similar income	7	-	49
Interest payable and similar expenses	8	(2,705)	(2,252)
Other finance payable	22	(1,778)	(3,360)
Income from shares in subsidiary undertaking	12	-	10,000
(Loss)/profit on ordinary activities before taxation		(3,909)	32,804
Tax on profit/(loss) on ordinary activities	9	5,562	(950)
Profit for the financial year		1,653	31,855

All results are derived from continuing operations.

The notes on pages 31 to 58 form part of these financial statements.

WEST MIDLANDS TRAVEL LIMITED

Statement of Comprehensive Income
for the Year Ended 31 December 2020

Statement of Other Comprehensive Income	Note	2020 £'000	2019 (restated) £'000
Profit for the financial year	4	1,653	31,855
Actuarial (loss)/gain for the year on the defined benefit pension scheme	22	(47,186)	25,189
Deferred tax on actuarial (loss)/gain above		10,900	(4,282)
Reclassification of financial derivatives		(4,631)	1,723
Deferred tax on cash flow hedges		865	(293)
Total comprehensive (expenditure)/income relating to the financial year attributable to owners of the company		(38,399)	54,192

The notes on pages 31 to 58 form part of these financial statements.

WEST MIDLANDS TRAVEL LIMITED

Balance Sheet
As at 31 December 2020

	Note	2020 £'000	2019 (restated) £'000
Fixed assets			
Tangible assets	10	217,924	231,245
Intangible assets	11	912	1,219
Investments in subsidiary undertakings	12	2,496	10,730
Deferred tax assets	13	32,213	18,110
		253,545	261,304
Current assets			
Stocks	14	2,049	2,218
Debtors	15	74,861	58,648
Cash at bank and in hand	16	595	18,765
		77,505	79,631
Creditors : amounts falling due within one year	17	(98,174)	(112,147)
Net current liabilities		(20,669)	(32,516)
Total assets less current liabilities		232,876	228,788
Creditors : amounts falling due after more than one year	18	(52,856)	(54,552)
Provisions for liabilities	19	(151,380)	(107,197)
Net assets		28,640	67,039
Capital and reserves			
Called up share capital	20	97	97
Share premium account		796	796
Capital reserve		(254)	(254)
Hedging reserve		(3,134)	632
Profit and loss account		31,135	65,768
Shareholders' funds		28,640	67,039

The financial statements of West Midlands Travel Limited, registered number 02652253, were approved and authorised for issue by the Board of Directors on 16 July 2021 and were signed on its behalf by:

S J Rollings
Director

The notes on pages 31 to 58 form part of these financial statements.

WEST MIDLANDS TRAVEL LIMITED

Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up Shared Capital £'000	Share premium account £'000	Capital reserve £'000	Fuel Hedge £'000	Profit and loss account £'000	Total £'000
At 1 January 2019	97	796	(254)	(798)	28,540	28,381
Effect of transition to IFRS16 (restated)	-	-	-	-	(534)	(534)
Actuarial gain for the year (net of deferred tax)	-	-	-	-	20,907	20,907
Hedge movements (net of deferred tax)	-	-	-	1,430	-	1,430
Dividend paid	-	-	-	-	(15,000)	(15,000)
Profit for the year (restated)	-	-	-	-	31,855	31,855
At 31 December 2019 (restated)	97	796	(254)	632	65,768	67,039
Actuarial gain for the year (net of deferred tax)	-	-	-	-	(36,286)	(36,286)
Hedge movements (net of deferred tax)	-	-	-	(3,766)	-	(3,766)
Profit for the year	-	-	-	-	1,653	1,653
At 31 December 2020	97	796	(254)	(3,134)	31,135	28,640

The notes on pages 31 to 58 form part of these financial statements.

1. General information

West Midlands Travel Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is National Express House, Digbeth, Birmingham, B5 6DD.

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

2. Significant accounting policies

Amendments to International Financial Reporting Standards (IFRSs) and the new Interpretation that are mandatorily effective for the current year

In the current year, the company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, and related party transactions. This information comprises separate financial statements.

The Company is exempt under s400 of Companies Act 2006 from the preparation of consolidated financial statements, because it is included in the group financial statements of National Express Group PLC. 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 26.

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

Critical judgements and 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. No areas of critical accounting judgements or key sources of estimation uncertainty have been identified in relation to Brexit.

2. Significant Accounting Policies (continued)

Key accounting judgements

There are no critical accounting judgements.

Key sources of estimation uncertainty
Insurance
The estimation of the insurance provisions is based on an assessment of the expected settlement on known claims together with an estimate of settlements that will be made in respect of incidents occurring prior to the Balance Sheet date but for which claims have not been reported to the Company. The Company makes assumptions concerning these judgemental matters with the assistance of advice from the Third Party Administrator (TPA), responsible for the management of claims on behalf of the Company.

The insurance provision at 31 December was £3,776,000 (2019: £3,261,000). See note 19 for further details

Tax provisions
Assessing the outcome of tax uncertainties, such as the deductibility of interest expense, requires judgements to be made regarding the result of negotiations with and enquiries from tax authorities. Management assessments are supported by external advisors where appropriate based on our business transaction facts and circumstances and the status of ongoing discussions with the relevant tax authorities.

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.

National Express Group PLC, has confirmed in a signed letter of support that it will make funding available to the Company to enable it to meet its debts as they fall due for repayment for a period of at least one year following the signature date of these Financial Statements. Accordingly, the Financial Statements have been prepared on a going concern basis. The Directors note that even in light of the Covid-19 pandemic, as at year end National Express Group PLC had around £0.9 billion of overdraft and undrawn committed facilities as at May 2021 that it could draw upon.

Further notes on going concern, including Covid-19, are provided in the Directors' Report.

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.

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.

2. Significant Accounting Policies (continued)

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 estimated to be certain 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 estimated to be certain 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.

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.

Investments

Fixed asset investments are stated at cost less provision for any impairment in value. They are subject to an annual test of impairment and an impairment charge recognised as required.

Intangible fixed assets

Intangible fixed assets are measured initially at purchase/internal cost and are amortised on a straight-line basis over their estimated useful lives or otherwise in line with any specific external contractual agreements which apply.

2. Significant Accounting Policies (continued)

Leased assets and obligations

Lease identification
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Right-of-use asset
The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Accounting for leases as a lessor

Leases for which the Company is a lessor are classified as either finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease, otherwise the leases are classified as operating leases.

2. Significant Accounting Policies (continued)

Amounts due from lessees under finance leases are recognised as receivables and calculated based on the present value of lease payments to be received over the lease term. Finance lease income is recognised using the effective interest method. Lease income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Tangible fixed 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.

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
Leasehold premises	15 to 40 years (or period of lease if shorter)
Infrastructure assets	10 years
Public service vehicles	18 years
Other vehicles, plant and equipment	3 to 18 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.

Impairment of non-financial assets
All non-current assets are reviewed 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 carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows.

In assessing value in use, the estimated risk adjusted future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Impairment losses are recognised in the Profit and Loss Account in expense categories consistent with the function of the impaired asset.

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.

2. Significant Accounting Policies (continued)

Pensions and other post-retirement benefits

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.

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 the assistance of advice from independent qualified actuaries. Details of the assumptions made are set out in note 22.

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.

Share-based payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant by an external valuer using a stochastic model. Non-market-based performance-related vesting conditions are not taken into account when estimating the fair value; instead those non-market conditions are taken into account in calculating the current best estimate of the number of shares that will eventually vest and at each balance sheet date before vesting. The cumulative expense is calculated based on that estimate.

Market-based performance conditions are taken into account when determining the fair value and at each balance sheet date before vesting, the cumulative expense is calculated irrespective of whether or not the market conditions are satisfied, provided that all other performance conditions are met. For non market-based performance conditions at each balance sheet date before vesting, the cumulative expense is calculated based on the Company's estimate of the number of shares that will eventually vest, and the movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

2. Significant Accounting Policies (continued)

Insurance provisions

The Company's policy is to self-insure high frequency claims within the business. To provide protection above these types of losses, the Company purchases insurance cover from a selection of proven and financially strong insurers. These insurance policies provide individual claim cover subject to excess limits and aggregate stop losses for total claims within the excess limits. A provision is made on a discounted basis for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

Financial instruments

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 amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Balance Sheet.

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

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.

2. Significant Accounting Policies (continued)

New standards and interpretations applied

There were no new standards or interpretations in the year that had a material impact on the Company.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Prior year adjustments

During the year a number of lease contracts between the Company and its subsidiary, WM Property Holdings Limited (the lessor), were reassessed and identified as meeting the definition of a lease under IFRS 16. The prior year financial information has been restated to reflect for unidentified leases, including the restated opening balances of assets, liabilities and equity for the earliest prior period presented (1 January 2019, upon which IFRS 16 became effective as a standard under FRS 101).

The adjustments made are as follows:

	Previously reported £'000	Adjustment £'000	Restated £'000
At 1 January 2019			
Tangible fixed assets	186,381	19,685	206,066
Deferred Tax Assets	17,721	345	18,066
Creditors: within one year	(99,139)	(566)	(99,705)
Creditors: more than one year	(29,903)	(21,146)	(51,049)
Net Assets and Shareholders' funds	(29,529)	1,682	(27,847)
		-	
At 31 December 2019			
Tangible fixed assets	212,394	18,851	231,245
Deferred Tax Assets	17,721	389	18,110
Creditors: within one year	(106,535)	(571)	(107,106)
Creditors: more than one year	(33,977)	(20,575)	(54,552)
Net Assets and Shareholders' funds	(68,945)	1,906	(67,039)
		-	
Profit and Loss Account for the year ended 31 December 2019			
Operating costs	235,152	(595)	234,557
Interest payable and similar expenses	1,389	863	2,252
Tax	994	(44)	950

2. Significant Accounting Policies (continued)

Additionally, a misstatement was identified within working capital where certain intercompany debtors and creditors had been netted off. These have now been restated, with the prior year balances for debtors: amounts owed by fellow subsidiaries and accruals both increasing by £5,041,000.

3. Revenue and other income

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

	2020 £'000	2019 £'000
Passenger revenue	164,367	250,522
Other revenue	7,585	12,403
	171,952	262,925

Revenue is stated net of value added tax where applicable and is wholly derived within the United Kingdom.

An analysis of the Company's other operating income as follows:

	2020 £'000	2019 £'000
CBSSG	83,170	-
Job Retention Scheme/Furlough Income	9,975	-
	93,145	-

UK Government grants were received for the Covid Bus Service Support Grant ('CBSSG') and Coronavirus Job Retention Scheme ('JRS') during the period ending 31 December 2020 and will continue in to 2021.

CBSSG was established to support commercial bus operators in England in recognition of the impacts of coronavirus (COVID-19) on revenue due to reduced patronage. Payments aim to ensure that operators can provide normal service levels without incurring an operating loss.

JRS was claimed to contribute towards the cost of employee wages, salaries, social security and pension costs.

4. Profit for the year

Operating profit is stated after charging/(crediting):	2020 £'000	2019 (restated) £'000
Fees payable to the Company's auditor:		
- The audit of the Company financial statements	69	36
- Non audit services	-	-
Depreciation of tangible fixed assets		
- Owned	16,524	14,201
- Leased	4,948	5,543
Amortisation of intangible fixed assets	3,233	190
(Gain)/loss on disposal of tangible fixed assets	(1,975)	(2,516)
Cost of stock recognised as expense	12,847	12,045
Staff costs (see note 5)	159,506	163,565

Profit for the year included a loss of £7,626,000 relating to exceptional items. This exceptional loss comprised reorganisation costs, fixed asset write downs as a result of onerous contracts and other one-off asset write downs that management do not expect to reoccur.

In addition, an exceptional profit of £2,290,000 was realised from the sale of a subsidiary in the year. Further details are disclosed in note 12.

5. Staff costs

	2020 £'000	2019 £'000
Wages and salaries	138,484	143,547
Social security costs	14,259	13,450
Pension contributions - defined contribution scheme (Note 27)	3,292	3,291
Pension contributions - defined benefit scheme (Note 27)	3,471	3,277
	159,506	163,565

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

	2020 Number	2019 Number
Managerial and administrative	194	197
Operational	4,858	4,699
	5,052	4,897

6. Directors' remuneration

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

	2020 £'000	2019 £'000
Aggregate emoluments	651	940
Company contributions to money purchase pension schemes	60	51
	711	991

The Directors of the Company are also Directors of a number of other companies in the National Express Group.

Retirement benefits accrued to 4 (2019: 3) Directors under a money purchase pension scheme and no Director accrued (2019: nil) under defined benefit schemes.

No Directors who are remunerated by the Company exercised share options during the year (2019: nil).

Qualifying services of highest paid Director:

	2020 £'000	2019 £'000
Aggregate emoluments	156	440

Pension contributions to a defined contribution scheme of £21,000 (2019: £20,000) were paid in respect of the highest paid Director.

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7. Interest receivable and similar income

	2020 £'000	2019 £'000
Short term deposits	-	49
	-	49

8. Interest payable and similar expenses

	2020 £'000	2019 (restated) £'000
Interest payable to ultimate holding company	660	-
Interest payable on IFRS16 leases	1,831	1,939
Other interest payable	59	34
Unwinding of discounting on insurance provisions (Note 19)	110	260
Unwinding of discounting on accrued holiday pay provision	45	19
	2,705	2,252

Notes to the financial statements for the Year Ended 31 December 2020 (continued)

9. Tax on Profit

	2020 £'000	2019 (restated) £'000
a) Analysis of tax charge in the year		
Current tax		
United Kingdom corporation tax	-	-
Adjustments in respect of prior periods	(4,384)	(3,043)
Total Current tax	(4,384)	(3,043)
Deferred Tax		
Origination and reversal of timing differences (Note 21)	(1,133)	3,481
Defined benefit pension scheme	-	-
Effect of changes in tax rate	362	-
Prior year adjustment	(408)	511
	(1,178)	3,992
Tax on profit	(5,562)	950

b) factors affecting the current tax charge for the year

	2020 £'000	2019 (restated) £'000
Profit on ordinary activities before taxation	(3,910)	32,806
Notional charge at UK corporation tax rate of 19.0% (2019: 19.0%)	(743)	6,233
Non taxable disposal	-	-
Permanent disallowable items	284	(443)
Impact of rate change	-	(410)
Dividend income not taxable	(674)	(1,900)
Adjustments in respect of prior periods deferred tax	(46)	511
Adjustments in respect of prior periods corporation tax	(4,384)	(3,043)
	(5,562)	950

c) Tax on items recognised on other comprehensive income or equity

	2020 £'000	2019 (restated) £'000
Deferred tax (credit)/charge on actuarial movements	10,900	(4,282)
Deferred tax charge on cash flow hedges	865	(293)
	11,764	(4,575)

d) Factors affecting future charges

The Finance Act 2020, enacted in March 2020, announced that the corporation tax rates would remain at 19% for 2020 and 2021. The deferred tax balance previously held at 17% was revalued to 19% in the year, resulting in a charge of £362,340 to the profit and loss account and a credit of £1,965,691 through the SOCIE.

The current tax rate is 19% and deferred tax has been recognised at 19%, being the rates substantively enacted at year end.

On 3 March 2021 the UK Chancellor of the exchequer announced a tax rise from 19% to 25% from 1 April 2023. Currently the deferred tax liability is held at 19% therefore the increase in tax rate would lead to a tax charge of £456,409 through the profit and loss account and a credit of £8,728,098 through the SOCIE.

Notes to the financial statements for the Year Ended 31 December 2020 (continued)

10. Tangible Fixed Assets

The net book value at 31 December 2020 for land and buildings above includes freehold land of £96,000 (2019: £96,000) which is not depreciated.

	Land and buildings			Public	Vehicles,	
	Freehold	Short lease	Infrast-ructure	service vehicles	plant and equipment	Company total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 January 2020 (restated)	8,791	43,044	521	300,609	51,318	404,283
Additions	131	-	-	8,458	3,901	12,490
Group transfers in	-	-	-	7,562	-	7,562
Group transfers out	(649)	-	-	(4,760)	(214)	(5,623)
Disposals	-	-	-	(6,039)	-	(6,039)
At 31 December 2020	8,273	43,044	521	305,830	55,005	412,673
Depreciation						
At 1 January 2020 (restated)	3,923	8,452	521	128,600	31,542	173,038
Group transfers in	-	-	-	2,770	-	2,770
Group transfers out	(34)	-	-	(647)	(28)	(709)
Disposals	-	-	-	(1,457)	(243)	(1,700)
Charge for the year	1,507	859	-	14,508	4,476	21,350
At 31 December 2020	5,396	9,312	521	143,774	35,747	194,750
Net book value						
At 31 December 2020	2,877	33,733	-	162,056	19,258	217,924
At 31 December 2019	4,868	34,592	-	172,009	19,776	231,245

IFRS16 right of use assets within Tangible Fixed Assets are:

	Land and Buildings	Public service vehicles	Vehicles, plant and equipment	Company total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 31 December 2019	46,296	23,416	648	70,360
Net Movement	(3,947)	(1,262)	(307)	(5,516)
At 31 December 2020	42,349	22,154	341	64,844
Depreciation				
At 31 December 2019	8,063	9,642	461	18,166
Net Movement	1,695	2,136	(203)	3,628
At 31 December 2020	9,758	11,779	257	21,794
NBV				
At 31 December 2019	38,233	13,774	187	52,194
Net Movement	(5,643)	(3,398)	(103)	(9,144)
At 31 December 2020	32,591	10,375	84	43,050

11. Intangible Fixed Assets

	Computer Software £'000
Cost or valuation	
At 1 January 2020	5,237
Additions	2,926
At 31 December 2020	8,163
Depreciation	
At 1 January 2020	4,018
Charge for the year	3,233
At 31 December 2020	7,251
Net book value	
At 31 December 2020	912
At 31 December 2019	1,219

12. Fixed Asset Investments

a) Investment in subsidiary undertakings

	£'000
Cost	
At 31 December 2019	23,071
Disposals in the year	(12,131)
At 31 December 2020	10,940
Provision	
At 31 December 2019	(12,341)
Disposals in the year	3,897
At 31 December 2020	(8,444)
Net book value	
At 31 December 2019	10,730
At 31 December 2020	2,496

The closing provision relates to Altram LRT Limited.

Notes to the financial statements for the Year Ended 31 December 2020 (continued)

12. Fixed Asset Investments (continued)

a) Investments in subsidiary undertakings (continued)

The investment in the Company's subsidiary undertakings at 31 December 2020 consisted of the following:

	Country of registration	% of voting rights and shares held
Altram LRT Limited	England and Wales	100
WM Ventures Limited	England and Wales	100
WM Property Holdings Limited	England and Wales	100
West Midlands Accessible Transport Limited	England and Wales	100
National Express Manchester Metrolink Limited	England and Wales	100
Travel Birmingham Limited	England and Wales	100
Travel Coventry Limited	England and Wales	100
WM Travel Limited	England and Wales	100
Travel West Midlands Limited	England and Wales	100
Travel WM Limited	England and Wales	100
Travel Yourbus Limited	England and Wales	100
Travel Merryhill Limited	England and Wales	100

WM Property Holdings Limited is held indirectly through a subsidiary Company.

On 31 December 2020 the Company disposed of Taybus Holdings Limited and its two subsidiary companies. The net carrying value of Taybus Holdings Limited at the date of disposal was £8,234,000. The consideration received, net of costs, was £10,524,000, resulting in a profit on disposal of £2,290,000.

All the above companies operated principally in their country of registration. All holdings are of £1 ordinary shares. The percentage holdings shown above are the interest in the nominal value of the shares held and in all cases the percentage of voting rights held is the same.

The registered office address of West Midlands Transport Information Services Limited is Darwin House, 7 Kidderminster Road, Bromsgrove, Worcestershire, B61 7JJ. The registered office address of all other subsidiary undertakings is National Express House, Digbeth, Birmingham, United Kingdom, B5 6DD.

b) Interest in associated undertakings

The Company owns 20% of the share capital of West Midlands Transport Information Services Limited ("WMTIS"), a Company incorporated in England and Wales which provides passenger information on a not for profit basis. The investment (cost and carrying value) in the WMTIS share capital is £100 (2019: £100).

12. Fixed Asset Investments (continued)

c) Dividends received

	2020 £'000	2019 £'000
Dividends received from subsidiary undertakings	-	10,000

13. Deferred tax

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

	2020 £'000	2019 (restated) £'000
Included in provisions for liabilities	6,004	4,890
Deferred tax assets	(32,213)	(18,110)
	(26,209)	(13,220)
Timing differences on tangible fixed assets and capital allowances	6,004	4,890
Short term timing differences	(467)	(484)
Pension costs	(26,904)	(16,838)
Losses	(4,107)	(918)
Derivative financial instruments	(735)	129
Total Deferred Tax	(26,209)	(13,220)

	£'000
At 1 January 2020 including deferred tax on pension liability	13,220
Deferred tax charge in profit & loss account	1,178
Amount charged to statement of total recognised gains and losses	11,764
Other movements	46
At 31 December 2020 including deferred tax on pension liability	26,209

The Company has no recognised deferred tax assets in respect of capital losses (2019: £449,000 gross). These are unrecognised on the basis that no suitable capital gains are expected to arise in the foreseeable future against which these assets can be offset.

14. Stocks

	2020 £'000	2019 £'000
Engineering spare parts, spare units and fuel	2,049	2,218

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

15. Debtors

	2020 £'000	2019 (restated) £'000
Trade debtors	4,459	17,891
Amounts owed by fellow subsidiaries	5,206	12,179
Corporation tax	4,865	3,043
Derivative financial instruments	-	761
Amounts due from IFRS sub-leases	2,471	-
Other debtors	7,707	2,159
Accrued income	40,104	5,717
Prepayments	10,049	16,898
	74,861	58,648

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

Amounts owed by fellow subsidiaries in 2019 was incorrectly reported as £7,138,000 and should have been £12,179,000 with the difference included within creditors due within one year. See note 2 for further details.

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.

Other debtors includes a VAT receivable balance of £2.8 million (2019: £2.2 million). 2020 also includes supplier credit receivables and a number of other smaller debtor balances.

Accrued income includes £37.3 million relating to CBSSG funding due at year end (2019: nil).

16. Cash at bank and in hand

	2020 £'000	2019 £'000
Cash at bank and in hand	95	18,265
Short term deposit	500	500
	595	18,765

Short term deposit is with the Supreme Court and is required under Section 144 (1) of the Road Traffic Act 1988.

17. Creditors: amounts falling due within one year

	2020 £'000	2019 (restated) £'000
Other obligations under IFRS16 leases	3,349	3,345
Trade creditors	12,028	18,731
Amounts owed to parent	17,928	12,088
Amounts owed to subsidiaries	3,639	2,855
Bank overdraft	871	-
Social security costs	2,938	3,495
Derivative financial instruments	3,869	-
Accruals	42,184	57,675
Deferred income	3,305	3,574
Other payables	6,764	9,355
Deferred fixed asset grants	1,299	1,029
	98,174	112,147

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

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.

Accruals in 2019 were incorrectly reported as £52,634,000 and should have been £57,675,000 with the difference included within debtors. See note 2 for further details.

Other payables include advance payments for factoring of concessionary revenues.

18. Creditors: amounts falling due after more than one year

	2020 £'000	2019 (restated) £'000
Deferred fixed asset grants	9,505	7,837
Other obligations under IFRS16 leases	43,351	46,715
	52,856	54,552

19. Provisions for liabilities

	2020 £'000	2019 £'000
Insurance claims	3,776	3,261
Deferred tax liability	6,004	4,890
Net pension liability	141,600	99,046
	151,380	107,197

Deferred tax liability
Details regarding the deferred tax liability are provided in Note 13.

Net pension liability
Details regarding the net pension liability are provided in Note 22.

Insurance claims

	£'000
At 1 January 2020	3,261
Provided in the year	3,026
Utilised in the year	(2,621)
Unwinding of discount (see note 11)	110
At 31 December 2020	3,776

The insurance claims provision arises from estimated liabilities at 31 December under the Company's insurance arrangements, the majority of which will be utilised in the next six years. The claims held within the insurance provision relate to the periods prior to 31 October 1995 and during the period 1 November 2000 to 31 December 2020. The claims relating to the intervening period were covered by either external insurance arrangements or through the National Express Group insurance programme.

	2020 £'000	2019 (restated) £'000
Outstanding insurance liability below one year	1,356	1,951
Outstanding insurance liability above one year	2,420	1,310
	3,776	3,261

20. Called up share capital

The Company's share capital is as follows:

	2020 £	2019 £
Authorised		
100,000,000 ordinary shares of 0.1p each	100,000	100,000
100 "A" ordinary shares of 1p each	1	1
2 deferred shares of £1 each	2	2
	100,003	100,003
Allotted, called up and fully paid		
97,276,400 ordinary shares of 0.1p each	97,276	97,276
2 deferred shares of £1 each	2	2
	97,278	97,278

There are deferred shares of £2 (2019: £2) that have no voting rights or any entitlement to participation in the profits or the assets of the Company. The profit and loss reserve is the accumulation of all current and prior year retained profits, less any dividends distributed.

21. Capital commitments

	2020 £'000	2019 £'000
Contracted	3,764	9,788

The capital commitments relate to tangible fixed assets, including new public service vehicles.

22. Retirement benefits

The Company participates in the West Midlands Integrated Transport Authority Pension Fund, a defined benefit scheme which is closed to new entrants.

The assets of the scheme are held separately from those of the Company. Contributions to the scheme are determined by independent professionally qualified actuaries.

The employer's contributions made in respect of the Company in the year were £10,084,000 (2019: £9,909,000) which included an additional amount of £7,373,000 (2019: £7,554,000) in order to reduce the scheme deficit. With effect from 1 April 2019, the Company contributed 35% of pensionable pay to the scheme. The expected employer contributions for 2021 are £10,300,000.

The valuation of the scheme as at 31 December 2020 is based on the results of the 31 March 2019 triennial actuarial valuation, which has been updated by independent professionally qualified actuaries to take account of the requirements of IAS 19. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The relevant assumptions used are as follows:

	2020	**2019**
Rate of increase in salaries	2.5%	2.5%
Rate of increase of pensions	2.4%	2.1%
Discount rate	1.3%	2.0%
Inflation assumption:RPI	3.0%	3.0%
Inflation assumption:CPI	2.4%	2.1%

Mortality assumptions - Current pensioners (retired in normal health)

Actuarial tables used	97% of S3PXA Heavy tables, CMI_2019 improvements with 1.25% trend rate, smoothing factor of 7 and nil initial addition parameter	97% of S3PXA Heavy tables, CMI_2018 improvements with 1.25% trend rate, smoothing factor of 7 and nil initial addition parameter
Life expectancy of Male (Female) current pensioner aged 65	19.9 (23.2) years	19.8 (23.0) years
Life expectancy of Male (Female) future pensioner aged 65 in 20 years time	21.3 (24.7) years	21.2 (24.5) years

22. Retirement benefits (continued)

Sensitivity analysis:

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used is set out below:

	Change in assumption	Impact on scheme liabilities	Impact on scheme deficit
Discount rate	Decrease by 0.10%	Increase by £8,880k	Increase by £7,157k
Rate of inflation	Increase by 0.10%	Increase by £6,394k	Increase by £6,394k
Rate of salary increase	Increase by 0.10%	Increase by £847k	Increase by £847k
Post retirement pension increases	Increase by 0.10%	Increase by £5,519k	Increase by £5,519k
Mortality	adding -1 year age rating	Increase by £26,584k	Increase by £18,470k

The assets in the scheme, the expected rates of return and the net pension liability were as follows:

	2020 £'000	2019 £'000
Total market value of assets	475,113	458,084
Present value of scheme liabilities	(616,713)	(557,130)
Deficit in scheme	(141,600)	(99,046)

The major classes of assets as a percentage of total assets are as follows:

	2020 %	2019 %
Equities	17.5%	16.4%
Indexed linked gilts	5.8%	5.4%
Bonds	2.2%	2.2%
Multi-asset credit	10.5%	10.7%
Insurance Policy	41.4%	42.8%
Diversified growth funds	22.5%	22.2%
Other	0.1%	0.3%
	100.0%	100.0%

22. Retirement benefits (continued)

Profit and loss account:

	2020 £'000	2019 £'000
Amounts charged to operating profit:		
Current service cost	3,471	3,277
Administrative expenses	204	206
Charge to operating profit	3,675	3,483
Net finance cost	1,778	3,360
Total charge to profit and loss account	5,453	6,843

Statement of comprehensive income

	2020 £'000	2019 £'000
Difference between expected and actual return on assets	24,424	8,931
Actuarial (loss)/gain arising on scheme liabilities	(71,610)	16,258
Actuarial gain	(47,186)	25,189

	2020 £'000	2019 £'000
At 1 January	557,130	580,320
Current service cost	3,471	3,277
Contributions paid by scheme participants	560	627
Interest cost	10,688	15,598
Benefits paid	(26,746)	(26,434)
Actuarial loss/gain	71,610	(16,258)
At 31 December	**616,713**	**557,130**

Changes in the fair value of plan assets are analysed as follows

	2020 £'000	2019 £'000
At 1 January	458,084	453,019
Expected return on plan assets	8,910	12,238
Employer contributions	10,085	9,909
Contributions paid by scheme participants	560	627
Benefits paid	(26,746)	(26,434)
Administrative expenses	(204)	(206)
Actuarial gain	24,424	8,931
At 31 December	**475,113**	**458,084**

22. Retirement benefits (continued)

History of experience gains and losses

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Defined benefit obligation	(616,713)	(557,130)	(580,320)	(619,983)	(603,024)
Value of scheme assets	475,113	458,084	453,019	486,170	474,502
Deficit in scheme	(141,600)	(99,046)	(127,301)	(133,813)	(128,522)
Experience gain/(losses) arising on scheme liabilities	6,682	52,151	(1,083)	(4,962)	1,357
Experience gain/(losses) arising on scheme assets	24,424	8,931	(29,936)	17,605	50,786

Defined Contribution Scheme

West Midlands Travel Limited operates a defined contribution pension schemes under the National Express Worksave Pension Plan, a Group Personal Pension provided by Legal & General.

Employer contribution rates are 3% of pensionable pay for auto enrolled employees, with former members of the National express UK pension scheme also on 3% employer contribution rate.

At 31 December 2020 there were 4,906 employees in the National Express Worksave Pension Plan (2019: 5,174). The pension cost for the year was £3,292,000 (2019: £3,291,000). Outstanding contributions at 31 December 2020 amounted to £nil (2019: £nil).

23. 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 (2019: £10,000,000).

The Company is a guarantor to a number of its ultimate parent Company's financing agreements, consisting of a £400 million bond, a £250 million bond, a €78.5 million private placement, a $500 million private placement, a £399 million revolving credit facility and £96 million of further committed revolving credit facilities. These are described in the National Express Group PLC 2020 Annual Report and Financial Statements.

24. Sub-leases

On 31 December 2020 the Company entered in to sub-lease agreement which has been classified as a finance lease as it substantially transferred all of the risks and rewards of the assets.

	2020
	£'000
<1 year	274
1-2 years	274
2-3 years	274
3-4 years	274
4-5 years	274
5+ years	1,347
Total undiscounted lease payments	**2,716**
Unearned finance income	(245)
Finance lease payments receivable	**2,471**

25. Post balance sheet events

There have been no material post balance sheet events.

26. 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.

27. Ultimate parent and controlling undertaking

The Company's immediate parent undertaking is National Express Intermediate 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 West Midlands Travel Limited, are available to the public and may be obtained from its registered address, National Express Group PLC, National Express House, Birmingham Coach Station, Mill Lane, Digbeth, Birmingham B5 6DD.