

## LONDON UNITED BUSWAYS LIMITED

### Strategic Report (cont'd) for the year ended 31 December 2020

#### REVIEW OF BUSINESS (cont'd)

Excess Wait Time (EWT), is defined as the extra time that passengers have had to wait above the scheduled waiting period. The ultimate objective is to minimise EWT. The On Time Departures measure is a window from 2½ minutes earlier than scheduled to five minutes later than scheduled. The ultimate objective is to maximise "On Time" departures.

Overall, the company's operating loss for the year of £3,966,000 (2019: £6,791,000) has reduced by £2,825,000, which is largely due to a reduction in exceptional item costs.

Exceptional items in the year of £1,804,000 (2019: £5,722,000) related to business restructuring costs and an impairment of assets for the closure of the Twickenham depot, a premises largely used for MOT and training. In the prior year, the UMC private hire business was closed, that resulted in asset write offs, restructuring costs and lease terminations. In addition, in 2019 the goodwill relating to the purchase of the NCP Challenger business was written down to zero. (Refer to note 4 to the financial statements).

Operating loss for the year includes the cost of labour, which represents over 50% of the company's cost base. This cost is closely managed, and the management of recruitment, training, personal development and remuneration is key to ensure the Company remains competitive and retains and recruits the right staff.

Our training centre based in Fulwell, is where all recruits are prepared to become London bus drivers. They are paired with an experienced driving instructor who teaches the new recruit all the skills required to navigate a bus safely through London. The new driver also receives thorough training in customer service. Drivers are periodically brought back into the training centre for ongoing career development. All our new employees, regardless of role, attend an induction programme at the training centre, where they are welcomed to the company by directors and senior managers.

The cost of fuel is also a significant part of the company's costs and the volatility in price, which is heavily influenced by external factors, is partially offset by TfL contract indexation and through fuel hedging contracts. This together with actions to improve fuel consumption through engineering maintenance and embracing the latest bus technology through the company's bus procurement policy helps to ensure fuel costs are appropriately controlled. Details of fuel hedging contracts can be found in note 19 to the financial statements.

Income tax charge for the year totalled £1,549,000 (2019: £2,055,000 credit), an increase of £3,604,000, which is detailed within note 8 of the financial statements.

Cash generated from operations in 2020 was £21,254,000 (2019: £13,715,000) an increase of £7,539,000, which is due to the reduction in the loss before tax in the year and an improvement in working capital. Purchase of tangible and intangible fixed asset assets also increased during the year, and this included investment in garage electrification, new systems and improvements to the garage infrastructure. The company also borrowed £16,600,000, in December 2020 from its immediate parent, RATP Dev UK Ltd, which has contributed to a stronger year end cash balance of £1,878,000 (2019: £669,000).

The statement of financial position on page 17 of the financial statements shows that net assets decreased by £4,788,000 during the year.

In accordance with RATP Group procedures and in compliance with local regulations, we continually consider our principal environmental, social and human rights and anti-corruption risks and opportunities. The company recognises that mobility is an essential lever to tackle the societal and environmental challenges of today and tomorrow and as a privileged partner to TfL, we are committed to fostering a more inclusive, ecological friendly city. As noted above, in February 2020, we launched our first electric double deck route (Route 94), running out of our Shepherd's Bush garage alongside electric routes C1 and 70.

During 2020, the company, together with London Sovereign Ltd won the largest ever tender awards to convert a number of our routes to electric which will result in nearly 25% of our fleet being electrified in 2022. This dynamic enables us to speed up the energy transition of our bus fleet and strongly support TfL in its ambition to ensure all buses in London are zero emission in the future. Our efforts through the electrification of our bus fleet in London, have already reduced our fleet CO2 emissions and fuel consumption. This is a perfect example of how cleaner vehicles and more efficient, healthier and greener solutions can contribute to fight climate change – and also make the city a more pleasant place to live.

## **LONDON UNITED BUSWAYS LIMITED**

### **Report of the Directors (cont'd) for the year ended 31 December 2020**

#### **DIRECTORS LIABILITIES**

The company maintains directors' and officers' liability insurance in respect of legal action that might be brought against its directors. The company has indemnified each of its directors and other officers of the company against certain liabilities that may be incurred as a result of their offices.

#### **FINANCIAL INSTRUMENTS**

The company's activities expose it to certain financial risks. These include price risk related primarily to fuel prices and interest rate risk. Management reviews financial risks regularly in accordance with company policies. The company uses financial instruments to hedge financial risks associated with fuel purchases which are a major cost. Further details are given in note 19.

#### **POLITICAL DONATIONS AND EXPENDITURE**

No political donations were made in either the current or prior period.

#### **GOING CONCERN**

During the COVID-19 pandemic the Company worked closely and collaboratively with Transport for London (TfL) to minimise the financial impact on the business. Throughout, the Company exercised tight financial control in all areas, furloughed staff and deferred non-critical expenditure. Despite the progress to full service being restored, the directors consider the operating conditions in London to remain very competitive. The directors will continue to focus on improving operational efficiencies and quality, as well as investing in the future electrification of its garage infrastructure, to help and enable the company remain competitive and generate satisfactory returns. In addition, as the Company is in a net current liability position in 2020, the immediate parent company, RATP Dev UK Limited, has given assurance to continue to provide support to the Company for at least twelve months subsequent to the sign off date of this report. The Company has embarked on a multi-year transformation program to address underperformance in the business which includes an organisation restructuring program, initiatives to modernise operating standards in garages, investment in new technology to directly enable and influence performance, and electrification of the garage infrastructure. The directors have therefore deemed it appropriate to prepare these financial statements on a going concern basis.

#### **DISABLED EMPLOYEES**

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

#### **EMPLOYEE CONSULTATION**

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

#### **ENERGY AND CARBON REPORT**

##### **Greenhouse gas emissions, energy consumption and energy efficiency action**

In accordance with the disclosure requirements, the table below shows the Company's greenhouse gas emissions during the financial year:

	2020
Energy consumption used to calculate emissions (MWh / Litres)	
Scope 1	
Gas consumption – Buildings (MWh)	5,181
Buildings – Fuel Oil (Litres)	4,954
Vehicles – Diesel Fuel (Litres)	15,581,900
Vehicles – Diesel Fuel (MWh)	170,778
Scope 2	
Building - Purchased electricity (MWh)	3,150
Vehicles – Purchased electricity (MWh)	475

## **LONDON UNITED BUSWAYS LIMITED**

### **Report of the Directors (cont'd) for the year ended 31 December 2020**

#### **ENERGY AND CARBON REPORT (continued)**

##### **Greenhouse gas emissions, energy consumption and energy efficiency action (cont'd)**

###### **Scope 1 emissions in metric tonnes CO<sub>2</sub>e**

Vehicle Consumption	40,832
Building consumption	1,109

###### **Scope 2 emissions in metric tonnes CO<sub>2</sub>e**

Purchased electricity Bus and Buildings	1,657
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Total gross emissions in metric tonnes CO <sub>2</sub> e	0.253
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Intensity ratio Tonnes CO <sub>2</sub> e per £ turnover	
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##### **Quantification and reporting methodology**

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Governments Conversion Factors for Company Reporting.

##### **Measures taken to improve energy efficiency**

An increase in electrification of our garages and bus fleet is playing a key role in reducing our carbon intensity per km. Electrification is a critical part of our business and partnership with Transport for London (TfL). We launched our two first 100% electric routes in 2019, as well as London's first fully electric 24-hour double-decker bus route in 2020. (RATP Dev London, is the collective trading name for London United Busways Ltd, London Sovereign and Quality Line Transport Ltd). Through June 2021, RATP Dev London placed an order for a total of 195 single and double deck new electric buses and during 2022, RATP Dev London will operate 15 zero emission routes and will have up to five garages with electric capability. This agreement is another part our measures to work hand in hand with TfL to help London achieve its sustainability goals.

##### **Comparative figures**

As this is our first energy and carbon report, there are no comparative figures provided.