

Company Registration No. 00133884

First Cymru Buses Limited

Annual Report and Financial Statements

For the 52 week period ended 28 March 2020



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First Cymru Buses Limited
Report and financial statements 2020

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First Cymru Buses Limited

Strategic report

The directors have pleasure in submitting their strategic report for the 52 week period ended 28 March 2020.

Principal activities

The company's principal activity is the provision of bus operations in South Wales.

Business review

As shown in the company's profit and loss account, the company's turnover has decreased from £38.0 million to £36.3 million. Passenger numbers in the period decreased across all services, most noticeably in concessionary fares which were adversely affected by poorer weather compared to the prior period. This was heightened in the final weeks of the financial period which saw sudden and substantial reductions in service volumes and passenger numbers due to the coronavirus outbreak.

Operating profit decreased from £4.9 million to £2.0 million. This was due to the decrease in turnover, and operating costs increased by £1.2 million, which included an increase in insurance costs of £0.7 million.

The balance sheet shows the company's financial position at the period end. Net assets increased from £11.4 million to £15.3 million in the current period. This is due to the profit after tax for the period of £1.4 million and an actuarial gain of £2.4 million (after deferred taxation) in relation to the defined benefit pension scheme being transferred to reserves.

Capital expenditure, including transfers from other group companies, was £2.5 million in the financial period. Further details are set out in note 11.

The key performance indicators for the company are considered to be turnover, net assets and operating profit, which have been discussed above. The company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. FirstGroup plc ("the group") manages its operations on a divisional basis. The performance of the UK Bus Division of FirstGroup plc, which includes the company, and the key performance indicators for the group as a whole are discussed in the group's Annual Report which does not form part of this report. Details of where the group's Annual Report can be found are set out in note 21.

Safety remains the highest priority. The directors are continuously developing and improving processes to ensure that a 'Safety First' culture is embedded throughout the company, and strive to make our services as safe as possible for our passengers and our staff. Safety as a key performance indicator is discussed for the group as a whole in the group's Annual Report.

Future developments

The trading environment for the next 12 months is set to be challenging in light of the ongoing coronavirus pandemic. The actions taken by governments and society in response to the pandemic have had a significant impact on all of the industry as a whole, and will continue to do so for some time to come.

At the same time, the government and customers have recognised the critical necessity that we maintain a level of capacity and are enabling us to do that through various means of support.

Based on current measures, and the cost reductions made in response to lower demand the directors are hopeful of a resilient financial performance while these arrangements remain in place. However, there remains a continued level of uncertainty regarding the outturn for the next financial period.

First Cymru Buses Limited

Strategic report (continued)

Going concern

At 28 March 2020 the company had a cash of £3.2 million, net current assets of £3.1 million, net assets of £15.3 million and made a profit after tax of £1.4 million.

The company utilises working capital provided by the ultimate parent company, FirstGroup plc (“the group”), which has provided the directors of the company with a letter confirming that it has the intention to make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing the financial statements. The directors have made enquiries and understand that the ultimate parent company expects to have adequate resources to be able to provide this financial support. However, as a result of the coronavirus pandemic, all of the businesses of the FirstGroup plc have benefitted, and continue to benefit, from contractual or direct fiscal support from governments. The form and quantum of these support measures varies across the group. All of the group’s businesses are however in receipt of material levels of support to ensure the ongoing delivery of services throughout the pandemic, or to enable them to restart services quickly once needed.

The directors of the company noted from the group’s full year results to 31 March 2020 and the group’s half year results for the six months to 30 September 2020 (published on 10 December 2020) that there are a number of risks, when combined (set out below) which indicate that a material uncertainty exists that may cast significant doubt on the group’s ability to continue as a going concern. The group’s downside model indicates that both the minimum liquidity and net debt to EBITDA covenants have low headroom at certain points within the going concern review period. The downside model also indicates that additional funding may be required during 2021. Such additional funding, whether through drawdown of the group’s existing uncommitted facilities or through the group securing new facilities, may not be available at that time. Given the reliance on group support, this has the ability to directly impact the company and, therefore, the company has a material uncertainty that may cast significant doubt on the company’s ability to continue as a going concern and may be unable to realise its assets and discharge its liabilities in the normal course of business:

The risks causing this material uncertainty are:

- materially lower service levels and revenue recovery in the group’s First Student division, if the impact of the pandemic is more severe or protracted than assumed;
- the impact on future demand for the group’s passenger revenue-based divisions, First Bus and First Greyhound, being worse than anticipated; and
- the group being unable to complete its refinancing arrangements as planned, or the availability of its uncommitted facilities and the receipt of covenant waivers if required.

The company is directly impacted by the uncertainty surrounding future passenger demand, noted above. The half year results of FirstGroup plc provide significant additional detail to the above, including mitigating actions identified by the group, and are publicly available. Based on their review of the financial forecasts and having regard to the risks and uncertainties to which the group is exposed (including the material uncertainty referred to above) the directors believe that the company has adequate resources to continue in operational existence for the twelve month period from the date on which the financial statements were approved. Accordingly, the financial statements have been prepared on a going concern basis.

Section 172 statement

The directors have a duty to promote the success of the company for the benefit of its members as a whole. The directors of the company understand the need to have regard to the views and interests of wider stakeholders when assessing the consequences of a decision over the longer term.

FirstGroup plc’s key stakeholders, as identified in the group’s Annual Report are customers, investors, government, our people, communities and strategic partners and suppliers. The directors of First Cymru Buses Limited confirm that its key stakeholders are the same as those of FirstGroup plc.

Further details on how the directors engage with them are set out below.

Customers

The company conducts regular customer and passenger satisfaction surveys to identify what customers feel is done well and what can be improved, and has robust customer feedback processes through online and traditional channels.

First Cymru Buses Limited

Strategic report (continued)

Section 172 statement (continued)

- **Community**

At a group level engagement with the community is driven through targeted engagement plans and activities, community investment, charitable engagement and employee volunteering. Feedback from the community is achieved through regular surveys at group and local level where applicable.

- **Investors**

FirstGroup plc engages with investors through various means, including monthly updates from the Chief Executive and regular communications on the website. The group also has an Investor Relations team who are available to discuss the Group's strategy with major shareholders at any time. The company provides input into the engagement that FirstGroup plc has with investors where relevant.

- **Government**

The company works closely with local authorities to pursue formal and informal partnerships which help to deliver better services through measures which cut road congestion and give priority to buses. Other key areas of focus for the directors are compliance with laws and regulations and health and safety. The board is updated on legal and regulatory developments and takes these into account when considering future actions.

- **Our people**

Engagement with our people is achieved through formal and informal consultation meetings with both employees and trade union representatives (where appropriate), and the inclusion of an employee director on FirstGroup plc's board of directors. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Further details can be found in the Directors' Report on pages 5 and 6.

- **Strategic partners and suppliers**

The company understands that collaboration with strategic partners and suppliers enables best practice to be established. The company engages with partners and suppliers through regular formal and informal dialogue, collaboration in cross-industry forums and by adhering to the highest ethical and sustainability standards. The group has responded rapidly to mitigate potential disruption to our supply chain during the coronavirus pandemic, and a dedicated procurement taskforce was set up to review and manage coronavirus risks to our supply chains across the group.

Further details on how the group as a whole has discharged their duties under section 172 are discussed in the group's Annual Report which does not form part of this report. Details of where the group's Annual Report can be found are set out in note 21.

Principal risks and uncertainties

There are a number of potential risks and uncertainties that could have an impact on the company's long-term performance. The directors have established an ongoing process for identifying, evaluating and managing the significant risks and uncertainties faced by the company and continue to assess these on a regular basis in the light of internal and external events.

Specific business risks faced by the company include the following:

Competition risk

The company faces the risk of loss of customers through other bus companies providing improved services or more competitive pricing. Management mitigate the competitive pressure by monitoring competitors' behaviour and strategies to ensure that the company acts appropriately under current market conditions.

Legal and regulatory risk

The directors are aware of the continual change in laws and other regulations and the increasing costs of compliance. The directors conduct regular reviews of safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other areas to ensure they are appropriate and operating effectively.

Litigation and claims risk

The company has three main insurance risks, third party claims arising from vehicle and general operations, employee injuries and property damage. FirstGroup plc has a very strong focus on safety, as one of its core values. The promotion of a 'Safety First' culture at all levels throughout the business minimises insurance premiums and other related claims.

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Strategic report (continued)

Principal risks and uncertainties (continued)

Labour cost and employee relations and retention risk

Labour costs represent the most significant element of the company's operating costs. The directors continue to monitor employee recruitment, training, personal development and remuneration to ensure the company attracts and retains the right people.

To retain the right people the company believes that good communication with employees is effected through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests.

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

Details of the number of employees and related costs can be found in note 4 to the financial statements.

Fuel cost risk

Fuel costs represent a significant proportion of the company's cost base. Fuel prices are directly influenced by international, political and economic circumstances as well as natural disasters. Wherever possible, the group seek to minimise the operational and financial impact of such events through fixed price forward contracts and other operational efficiency measures.

Environmental risk

FirstGroup plc recognises the importance of its environmental policies, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's Annual Report, which does not form part of this report. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Through our core business activities we are committed to providing a safe, good quality, reliable and cost effective public transport to all our customers. Our core business strategy is to increase customer numbers and encourage a greater move towards the use of bus transport. This will support the needs of society to achieve more sustainable travel. We recognise the environmental impacts arising from our business activities and are committed to reducing these through effective environmental management.

Economic risk including Brexit

The less certain economic outlook, together with the on-going restrictions imposed as a result of the coronavirus, and a disruptive exit from the EU, could have a negative impact on our businesses in terms of reduced demand and reduced opportunities for growth. An uncertain economic climate, particularly when combined with lower fuel prices, may result in reduced demand for public transportation as alternative modes of transport become relatively more affordable, or preferred due to social distancing concerns. It is not yet clear how long the measures to contain coronavirus will last, the form they will take, or how it will impact the economy, customer behaviour and demand for our services in the long term. There remains a significant risk of reduced service demand as our local markets are closed or severely disrupted by further central government containment measures reducing demand and staffing levels. To an extent the company is able to modify services to react to market changes and to focus on controlling costs to ensure it remains competitive.

The group has formed a Brexit Steering Committee to monitor and manage the potential impact of Brexit.

Approved by the board of directors and signed on its behalf by:



D B Alexander
Director

11 March 2021

First Cymru Buses Limited

Directors' report

The directors have pleasure in submitting their annual report and audited financial statements for the 52 week period ended 28 March 2020.

Results and dividends

The results for the financial period are given in the profit and loss account on page 11.

No ordinary dividends were paid during the period (2019: £nil). The directors do not recommend the payment of a final dividend (2019: £nil).

Events after the reporting period

Details of events after the reporting period can be found in note 22 to the financial statements.

Directors

The directors who held office throughout the period and up to the date of this report are as follows:

D B Alexander	
J L Reakes-Davies	(Appointed 1 April 2020)
N Rees	(Appointed 19 September 2019)
C Brown	(Appointed 1 February 2021)
P S Connor	(Resigned 19 September 2019)
A H Sherrington	(Resigned 31 March 2020)

Directors' and officers' liability insurance

Directors' and officers' liability insurance is taken out by FirstGroup plc, the company's ultimate parent undertaking, for the benefit of the directors and officers of the company.

Strategic report

In accordance with the Companies Act 2006, section 414C(11) the directors have chosen to include details of future developments in the strategic report rather than the directors' report.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The company's principal financial assets are bank balances and trade debtors.

The credit risk on liquid funds is limited because the counterparties are banks.

The company's credit risk is primarily attributable to trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant concentration of credit risk, with exposure spread over a large number of customers. Although certain risks, for example fuel price, are hedged on a group basis, the company does not directly enter into any derivative financial instruments.

Liquidity risk

In order to maintain liquidity to ensure that significant funds are available for ongoing operations and future developments, the company uses intercompany finance.

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. A number of significant purchases, such as commitments under operating leases are paid by direct debit.

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Directors' report (continued)

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the Company. This is achieved through formal and informal consultation meetings with both employees and trade union representatives (where appropriate), and the inclusion of an employee director on FirstGroup plc's board of directors. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Two share plans are operated which are open to all employees. One is a HMRC approved Save As You Earn (SAYE) plan where employees may elect to make savings over a three-year period with an option at the end of this time to purchase FirstGroup plc shares at a 20% discount. The other is a HMRC approved Share Incentive Plan (SIP) which allows employees to purchase FirstGroup plc shares each month from gross earnings. Matching shares are awarded on a two for three basis on the first £30 contributed each month.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriated training is arranged. It is the policy of the group and the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Audit information

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

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

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

Auditor

FirstGroup plc appointed PricewaterhouseCoopers LLP as its new auditor, replacing Deloitte LLP, with effect from the year commencing 29 March 2020.

Approved by the board of directors and signed on its behalf by:



D B Alexander
Director

11 March 2021

First Cymru Buses 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 judgements 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 jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST CYMRU BUSES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of First Cymru Buses Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 28 March 2020 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which details that FirstGroup plc (the ultimate parent company, or 'group', who provides a letter of support to this company) is currently reliant on material financial, contractual and fiscal support to continue to operate throughout the Covid-19 pandemic. The group's downside model indicates that both the minimum liquidity and net debt to EBITDA covenants have low headroom at certain points within the going concern review period. The downside model also indicates that additional funding may be required during 2021. Such additional funding, whether through drawdown of the group's existing uncommitted facilities or through the group securing new facilities, may not be available at that time.

Therefore, FirstGroup plc has a material uncertainty relating to:

- materially lower service levels and revenue recovery in the group's First Student division, if the impact of the pandemic is more severe or protracted than assumed;
- the impact on future demand for the group's passenger revenue-based divisions, First Bus and First Greyhound, being worse than anticipated; and
- the group being unable to complete its refinancing arrangements as planned, or the availability of its uncommitted facilities and the receipt of covenant waivers if required.

Given the company could require funding from the group during the going concern period, combined with the uncertainty around future passenger revenue, this material uncertainty is also applicable to the company.

As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST CYMRU BUSES LIMITED (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

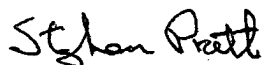
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST CYMRU BUSES LIMITED (continued)

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.



Stephen Pratt CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

11 March 2021

First Cymru Buses Limited

Profit and loss account

For the 52 week period ended 28 March 2020

	Note	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Turnover	3	36,295	37,997
Operating costs	6	(34,326)	(33,077)
Operating profit		1,969	4,920
Net finance costs	7	(294)	(210)
Profit before taxation		1,675	4,710
Tax on profit	8	(275)	(903)
Profit for the period		1,400	3,807

All activities relate to continued operations.

Statement of comprehensive income

For the 52 week period ended 28 March 2020

	Note	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Profit for the period		1,400	3,807
Remeasurement gain/(loss) recognised on net defined pension scheme	20	2,753	(2,856)
Movement on deferred tax relating to pension scheme	17	(315)	485
Total other comprehensive income/(expense)		2,438	(2,371)
Total comprehensive income for the period		3,838	1,436

First Cymru Buses Limited

Balance sheet

As at 28 March 2020

		28 March 2020		30 March 2019	
	Note	£000	£000	£000	£000
Fixed assets					
Goodwill	9		-		-
Intangible assets	10		8		11
Tangible assets	11		20,856		21,263
Investments	12		20		20
			<u>20,884</u>		<u>21,294</u>
Current assets					
Stocks	13	676		691	
Debtors	14	4,089		5,943	
Cash at bank and in hand		3,170		4,688	
		<u>7,935</u>		<u>11,322</u>	
Creditors: amounts falling due within one period	15	<u>(4,848)</u>		<u>(10,015)</u>	
Net current assets			<u>3,087</u>		<u>1,307</u>
Total assets less current liabilities			<u>23,971</u>		<u>22,601</u>
Provisions for liabilities	16		<u>(8,709)</u>		<u>(11,241)</u>
Net assets			<u>15,262</u>		<u>11,360</u>
Capital and reserves					
Called-up share capital	18		1,383		1,383
Revaluation reserve	18		341		352
Profit and loss account	18		13,538		9,625
Shareholder's funds			<u>15,262</u>		<u>11,360</u>

The financial statements of First Cymru Buses Limited (registration number 00133884) were approved by the board of directors and authorised for issue on 11 March 2021.

They were signed on its behalf by:



D B Alexander
Director

First Cymru Buses Limited

Statement of changes in equity

For the 52 week period ended 28 March 2020

	Called-up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total £000
As at 1 April 2018	1,383	363	8,113	9,859
Profit for the period	-	-	3,807	3,807
Other comprehensive expense	-	-	(2,371)	(2,371)
Total comprehensive income	-	-	1,436	1,436
Share-based payments	-	-	65	65
Transfer of additional depreciation on property	-	(11)	11	-
As at 30 March 2019 and 31 March 2019	1,383	352	9,625	11,360
Profit for the period	-	-	1,400	1,400
Other comprehensive income	-	-	2,438	2,438
Total comprehensive income	-	-	3,838	3,838
Share-based payments	-	-	64	64
Transfer of additional depreciation on property	-	(11)	11	-
As at 28 March 2020	1,383	341	13,538	15,262

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

1. Principal accounting policies

The accounting policies have been applied consistently throughout the current and preceding period.

General information and basis of preparation

First Cymru Buses Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The company's registered office is Heol Gwyrsoydd, Penlan, Swansea, West Glamorgan, SA5 7BN. The nature of the company's operations and its principal activities are set out in the strategic report.

The financial statements for the period ended 28 March 2020 include the results and financial position of the company for 52 weeks ended 28 March 2020.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of First Cymru Buses Limited is pound sterling because that is the currency of the primary economic environment in which the company operates.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. The company is consolidated in the financial statements of its ultimate parent, FirstGroup plc, which may be obtained at 395 King Street, Aberdeen, AB24 5RP. Exemptions have been taken in relation to share-based payments, presentation of a cash flow statement, intra-group transactions, key management personnel and financial instrument disclosures.

Going concern

At 28 March 2020 the company had a cash of £3.2 million, net current assets of £3.1 million, net assets of £15.3 million and made a profit after tax of £1.4 million.

The company utilises working capital provided by the ultimate parent company, FirstGroup plc ("the group"), which has provided the directors of the company with a letter confirming that it has the intention to make available such funds as may be required to enable the company to meet its obligations for a period of at least 12 months from signing the financial statements. The directors have made enquiries and understand that the ultimate parent company expects to have adequate resources to be able to provide this financial support. However, as a result of the coronavirus pandemic, all of the businesses of the FirstGroup plc have benefitted, and continue to benefit, from contractual or direct fiscal support from governments. The form and quantum of these support measures varies across the group. All of the group's businesses are however in receipt of material levels of support to ensure the ongoing delivery of services throughout the pandemic, or to enable them to restart services quickly once needed.

The directors of the company noted from the group's full year results to 31 March 2020 and the group's half year results for the six months to 30 September 2020 (published on 10 December 2020) that there are a number of risks, when combined (set out below) which indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. The group's downside model indicates that both the minimum liquidity and net debt to EBITDA covenants have low headroom at certain points within the going concern review period. The downside model also indicates that additional funding may be required during 2021.

Such additional funding, whether through drawdown of the group's existing uncommitted facilities or through the group securing new facilities, may not be available at that time. Given the reliance on group support, this has the ability to directly impact the company and, therefore, the company has a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and may be unable to realise its assets and discharge its liabilities in the normal course of business.

The risks causing this material uncertainty are:

- materially lower service levels and revenue recovery in the group's First Student division, if the impact of the pandemic is more severe or protracted than assumed;
- the impact on future demand for the group's passenger revenue-based divisions, First Bus and First Greyhound, being worse than anticipated; and
- the group being unable to complete its refinancing arrangements as planned, or the availability of its uncommitted facilities and the receipt of covenant waivers if required.

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

1. Principal accounting policies (continued)

Going concern (continued)

The company is directly impacted by the uncertainty surrounding future passenger demand, noted above. The half year results of FirstGroup plc provide significant additional detail to the above, including mitigating actions identified by the group, and are publicly available. Based on their review of the financial forecasts and having regard to the risks and uncertainties to which the group is exposed (including the material uncertainty referred to above) the directors believe that the company has adequate resources to continue in operational existence for the twelve month period from the date on which the financial statements were approved. Accordingly, the financial statements have been prepared on a going concern basis.

Group financial statements

Under the provisions of section 401 of the Companies Act 2006, and in accordance with paragraph 1.12 of Financial Reporting Standard 102, the company is exempt from preparing consolidated financial statements by virtue of the fact that the company is a subsidiary of another company which prepares group financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a group.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost less residual value of tangible fixed assets over their estimated useful economic lives as follows:

Freehold buildings	-	50 years straight-line
Long leasehold properties	-	50 years straight-line
Passenger carrying vehicles:		
Double and single decks	-	15 to 17 years straight-line
Coaches	-	7 or 12 years straight-line
Midibuses	-	12 or 15 years straight-line
Minibuses	-	9 years straight-line
Other plant and equipment	-	3 to 15 years straight-line

No depreciation is provided on freehold land or the land element of long leasehold properties.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Where indicators exist for a decrease in impairment loss previously recognised for assets, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Goodwill and intangible assets

Purchased goodwill is capitalised and written off on a straight-line basis over its useful economic life, which is 20 accounting periods. Provision is made for any impairment. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

Computer software is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences, website development, costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the software.

Intangible assets have a residual value of nil and are amortised on a straight-line basis over their estimated useful economic lives of 5 years.

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

1. Principal accounting policies (continued)

Investments

Fixed asset investments are shown at cost less provision for impairment.

Leases

All leases are operating leases and the rental charges are taken to the profit and loss account on a straight-line basis over the life of the lease.

Government grants and subsidies

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Amounts receivable for tendered services and concessionary fare schemes are included in turnover. Rebates in respect of duty paid on fuel are netted off against operating costs.

Grant income is credited to other creditors and is released to the profit and loss account over the estimated useful lives of the assets to which they relate. The grant income is netted off against operating costs.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to sell, which is equivalent to net realisable value. Provision is made for obsolete and slow moving or defective items where appropriate.

Pension costs

Group schemes

First UK Bus Pension Scheme

The company participates in a group defined benefit scheme, the First UK Bus Pension Scheme, which is held in separately administered funds. The funding level of the scheme on 5 April 2017 failed to reach a pre-agreed funding level, and as such, the scheme closed to defined benefit accrual on 5 April 2018.

This scheme has been allocated across all participating employing entities based on the proportion of pensionable pay relating to the members employed by that entity as at 30 March 2018.

The amounts charged to operating profit regarding the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on the assets are shown as a net amount of other financial costs or credits included within interest payable. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The last formal actuarial valuation was at 5 April 2019.

FirstGroup Pension Scheme

The company participates in a group multi-employer defined benefit scheme, the FirstGroup Pension Scheme. This scheme is disclosed in FirstGroup Holdings Limited's financial statements and is funded separately by defined contributions which have been expensed to the profit and loss account of FirstGroup Holdings Limited during the period to 28 March 2020. There is no charge in the company's profit and loss. The assets and liabilities of the scheme are held separately and cannot be allocated out; accordingly, the scheme is treated as a defined contribution scheme in the financial statements.

Defined contribution pension scheme

The company operates a defined contribution pension scheme. Payments to the defined contribution scheme are charged as an expense as they fall due. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments. There is no legal or constructive obligation to pay additional contributions into the defined contribution scheme if the fund has insufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

1. Principal accounting policies (continued)

Revenue recognition

Turnover principally comprises amounts receivable from ticket sales and concessionary fare schemes. Ticket sales are recognised in the period in which the service is provided. Concessionary amounts are recognised in the period in which the service is provided based on a predetermined formula as agreed with the relevant local authority. Other bus and services revenue from contracts with government bodies and similar organisations are recognised as the services are provided.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking.

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted by the balance sheet date.

Insurance

FirstGroup plc's policy is to self-insure high frequency, low value claims within the businesses. To provide protection above these types of losses, cover is obtained through third-party insurance policies. The total provision is allocated to each subsidiary company based on the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date within that company.

Share-based payments

The company's parent issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest, and is adjusted for the effects of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense of £64,000 (2019: £65,000) relating to equity-settled share-based payment transactions.

Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, financing arrangements from banks and other third parties and balances due to and from related parties.

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

2. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the accounting policies which are described above, management has made the following judgments and estimates that have the most significant effect on the amounts recognised in the financial statements.

Critical accounting judgements

Impairment of tangible fixed assets

The carrying values of the company's fixed assets, including passenger carrying vehicles, are reviewed at each balance sheet date to determine whether there is any indication of impairment. Particularly in relation to passenger carrying vehicles, management consider the future plans for the company and fellow subsidiaries in determining whether there is a use for the asset in the future. If any indication of impairment exists, the recoverable amount of the asset is estimated. An impairment is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The carrying value of the company's tangible fixed assets is £20.9 million (2019: £21.3 million).

Key sources of estimation uncertainty

Defined benefit pension arrangements

Measurement of defined benefit pension obligations requires estimation of a suitable discount rate, the expected return on scheme assets, expected rate of inflation of future salary and pension costs along with assumptions about mortality rates. The most significant of these are the discount rate and inflation rate assumptions.

The current market volatility and fundamental economic uncertainties have resulted in difficulties in valuing certain assets of the pension schemes that are not listed on public markets (e.g. property, infrastructure, private debt). Where asset valuations were not provided prior to the production of this report, we have consulted with investment managers and actuarial advisers in estimating adjustments to asset values where appropriate. Further details are set out in note 20.

The gross pension liability, before deferred tax, as at the balance sheet date was £7.2 million (2019: £10.4 million) as set out in note 20.

Self-insurance

Provision is made for all known incidents for which there is self-insurance using management's best estimate of the likely settlement of these incidents. The estimated settlement is reviewed on a regular basis with independent actuarial advice and the amount provided is adjusted as required.

The entity's total self-insurance provisions, including those classified within accruals, as at the balance sheet date were £2.2 million (2019: £1.3 million) as set out in note 16.

3. Turnover

Turnover represents the amounts receivable for services supplied to customers during the period.

The whole of the turnover derives from the company's principal activities within the United Kingdom. The company has one principal class of business, namely the provision of passenger transport services.

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

4. Employee numbers and costs

The average monthly number of persons employed by the company (including directors) during the period was as follows:

	52 weeks ended 28 March 2020 No.	52 weeks ended 30 March 2019 No.
Drivers	594	590
Maintenance and traffic	124	138
Administration	11	15
	<u>729</u>	<u>743</u>

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Wages and salaries	17,652	17,048
Social security costs	1,438	1,396
Pension costs	826	1,734
Share-based payments	64	65
	<u>19,980</u>	<u>20,243</u>

The total pension costs above include costs relating to participation in the FirstGroup plc defined contribution scheme, as well as the defined benefit scheme set out in note 20.

5. Directors' remuneration

Two directors (2019: two) are employees of another FirstGroup company and received remuneration from that company totalling £508,000 (2019: £463,000). It is not considered practicable to allocate this between services provided to that company and services provided in their capacity as director of First Cymru Buses Limited.

The remuneration of the directors who were remunerated by the company during the period was as follows:

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Aggregate emoluments	<u>4</u>	<u>61</u>

Of the directors remunerated by the company, retirement benefits accrue to no directors (2019: none) under defined benefit schemes and to no directors (2019: none) under defined benefit contribution schemes.

Of the directors remunerated by the company, no directors (2019: none) exercised share options during the period and no directors (2019: none) became entitled to receive shares under the FirstGroup long term incentive plan.

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

6. Operating costs

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Raw materials and consumables	8,180	7,611
Staff costs (note 4)	19,980	20,243
Other external charges	5,966	5,241
Amortisation of intangible assets (note 10)	3	2
Depreciation (note 11)	2,411	2,241
Auditor's remuneration	13	11
Gain on sale of tangible fixed assets	(6)	(8)
Government grants	(2,506)	(2,598)
Operating lease rentals	287	335
Impairment of stock reversed	(2)	(1)
	<u>34,326</u>	<u>33,077</u>

There were no fees payable to Deloitte LLP and their associates for non-audit services to the company during the period (2019: £nil).

The company receives grants from the government for acquiring buses. Grants are amortised over the life of the bus.

7. Interest payable and similar charges

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
<i>Other finance costs</i>		
Unwinding of discount on provision	51	20
Net interest on defined benefit pension scheme	243	190
	<u>294</u>	<u>210</u>

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

8. Taxation

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Current taxation		
- Group relief	33	691
- Adjustments in respect of prior periods	(6)	19
Total current taxation	27	710
Deferred taxation		
- Origination and reversal of timing differences	328	213
- Adjustment in respect of prior periods	(55)	(20)
- Impact on deferred tax arising from rate change	(25)	-
Total deferred taxation	248	193
Total tax on profit	275	903

The UK Government enacted legislation to maintain the main rate of UK corporation tax at 19% from 1 April 2020 and deferred tax is now calculated at 19%. Under the enacted legislation at 30 March 2019 the rate was set to reduce to 17% from 1 April 2020 resulting in deferred tax being calculated at 17% in the prior year.

In the period commencing 29 March 2020, the net reversal of deferred tax asset is expected to decrease the corporation tax charge for the period by £122,000. This is primarily due to depreciation, capital allowances and pensions.

There is no expiry date on timing differences, unused tax losses or tax credits.

The actual current tax charge for the current and previous period differed from the standard rate for the reasons set out in the following reconciliation:

	52 weeks ended 28 March 2020 £000	52 weeks ended 30 March 2019 £000
Profit before tax	1,675	4,710
Tax on profit at standard UK corporation tax rate of 19% (2019: 19%)	318	895
Factors affecting charge		
- Expenses not deductible for tax purposes	43	34
- Effect of decrease in tax rate on origination and reversal of timing difference	-	(25)
- Prior period adjustments	(61)	(1)
- Impact on deferred tax arising from rate change	(25)	-
Total tax on profit	275	903

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

9. Goodwill

	£000
Cost	
At 31 March 2019 and 28 March 2020	456
Amortisation	
At 31 March 2019 and 28 March 2020	456
Net book value	
At 28 March 2020 and 30 March 2019	-

10. Intangible assets

	Computer software £000
Cost	
At 31 March 2019 and 28 March 2020	13
Amortisation	
At 31 March 2019	2
Charge for period	3
At 28 March 2020	5
Net book value	
At 28 March 2020	8
At 30 March 2019	11

Amortisation of intangible assets is included in operating expenses.

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

11. Tangible fixed assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
Cost				
At 31 March 2019	5,729	43,160	2,437	51,326
Additions	60	241	20	321
Intra group transfers in	-	4,544	22	4,566
Intra group transfers out	-	(2,774)	-	(2,774)
Disposals	-	(5,409)	(3)	(5,412)
At 28 March 2020	5,789	39,762	2,476	48,027
Depreciation				
At 31 March 2019	1,820	26,110	2,133	30,063
Charge for period	138	2,184	89	2,411
Intra group transfers in	-	2,355	22	2,377
Intra group transfers out	-	(2,278)	-	(2,278)
Disposals	-	(5,399)	(3)	(5,402)
At 28 March 2020	1,958	22,972	2,241	27,171
Net book value				
At 28 March 2020	3,831	16,790	235	20,856
At 30 March 2019	3,909	17,050	304	21,263

The net book value of land and buildings comprises:

	2020 £000	2019 £000
Freehold	3,557	3,622
Long leasehold	274	287
	3,831	3,909

Depreciation is not provided on the land element of freehold property which amounts to £429,000 (2019: £429,000).

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

12. Fixed asset investments

	Subsidiary undertaking £000
Cost	
At 31 March 2019 and 28 March 2020	353
Provisions for impairment	
At 31 March 2019 and 28 March 2020	333
Net book value	
At 28 March 2020 and 30 March 2019	20

The subsidiary undertaking at the end of the period and the nature of its business, is as follows:

Subsidiary undertaking	Registered office	Principal activity	Holding	%
AE & FR Brewer Limited	Heol Gwyrosydd, Penlan, Swansea, West Glamorgan, SA5 7BN	Dormant	Ordinary shares	100

13. Stocks

	2020 £000	2019 £000
Spare parts and consumables	676	691

There is no material difference between the balance sheet value of the stocks and their replacement cost.

14. Debtors

	2020 £000	2019 £000
Amounts due within one period		
Trade debtors	562	2,120
Amounts owed by fellow group undertakings	150	23
Amounts owed by ultimate parent undertaking	6	-
Other debtors	579	90
VAT debtor	188	152
Prepayments	272	308
Accrued income	971	1,326
Deferred tax asset (note 17)	1,361	1,924
	4,089	5,943

Amounts owed by fellow group undertakings are repayable on demand and are interest free.

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

15. Creditors

	2020 £000	2019 £000
Amounts falling due within one period		
Bank overdrafts	-	38
Trade creditors	1,999	2,232
Amounts owed to fellow subsidiary undertakings	691	4,746
Amounts owed to ultimate parent undertaking	-	703
Other tax and social security	270	348
Other creditors	99	31
Accruals	1,421	1,483
Deferred income	368	434
	<u>4,848</u>	<u>10,015</u>

Amounts owed to fellow subsidiary undertakings and ultimate parent undertaking are repayable on demand and are interest free.

16. Provisions for liabilities

	Insurance claims £000	Total £000
At 31 March 2019	854	854
Charge to the profit and loss account	1,027	1,027
Unwinding of discount	51	51
Utilised in the period / transferred to accruals	(472)	(472)
At 28 March 2020	<u>1,460</u>	<u>1,460</u>
Provision for net defined benefit scheme deficit (2019: £10.4 million) (note 20)		<u>7,249</u>
At 28 March 2020		<u>8,709</u>

Insurance claims accruals due within one period at the balance sheet date amount to £786,000 (2019: £460,000) and are included in 'accruals' within note 15. The amount included within provisions above represents the estimate of amounts due after more than one period.

The insurance claims provision arises from estimated exposures for incidents occurring prior to the balance sheet date. It is anticipated that the majority of such claims will be settled within the next six years.

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

17. Deferred taxation

The movements in the deferred taxation asset were as follows:

	Deferred taxation £000
At 31 March 2019	1,924
Charged to the profit and loss account	(248)
Movement in other comprehensive income	(315)
	<hr/>
At 28 March 2020	1,361
	<hr/>

Deferred taxation consists of the following amounts:

	2020 £000	2019 £000
Capital allowances in excess of depreciation	(97)	87
Other timing differences	79	71
Pension	1,379	1766
	<hr/>	<hr/>
Deferred taxation asset (note 14)	1,361	1,924
	<hr/>	<hr/>

The opening and closing deferred tax asset is included in note 14 within debtors.

18. Called up share capital and reserves

	2020 £000	2019 £000
Allotted, called up and fully paid 1,382,540 ordinary shares of £1 each	1,383	1,383
	<hr/>	<hr/>

The company has one class of ordinary shares which carry full voting, dividend and capital distribution rights.

The company's other reserves are as follows:

The revaluation reserve represents the surplus created when assets were revalued.

The profit and loss reserve represents cumulative profits and losses net of dividends paid.

19. Commitments

Capital commitments

The company had no capital commitments at 28 March 2020 or 30 March 2019.

Operating leases

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020		2019	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Not later than one period	76	199	85	218
Later than one period and not later than five periods	83	322	96	605
Later than five periods	436	-	444	-
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	595	521	625	823
	<hr/>	<hr/>	<hr/>	<hr/>

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

19. Commitments (continued)

Other commitments

The company participates in an overdraft facility with its parent company, FirstGroup plc, and other group companies. The company has jointly and severally guaranteed the liabilities of the other parties under these arrangements.

The company is a member of a Value Added Tax ("VAT") group covering a number of subsidiary undertakings. All members of the VAT group are jointly and severally liable in respect of any VAT owed to HMRC. The value of the group commitment owed to HMRC can be found within the FirstGroup plc financial statements.

20. Pension scheme

FirstGroup UK Bus Scheme

The First UK Bus Pension Scheme is included as part of its disclosure under FRS 102. The scheme closed to defined benefit accrual on 5 April 2019 and so the disclosure has been based on the proportion of pensionable pay relating to First Cymru Buses Limited members as at 30 March 2019. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by trustees of the scheme.

The actuarial valuations are obtained at least triennially. The last formal actuarial valuation was at 5 April 2019. The valuations are updated at each balance sheet date for FRS 102 purposes.

The main financial assumptions used in this update were as follows:

	2020	2019
Rate of increase in salaries	1.80%	2.15%
Rate of increase of pensions in payment	1.80%	2.15%
Discount rate	2.40%	2.40%
Inflation	1.80%	2.15%
Post-retirement mortality (life expectancy in years):		
Current pensioners aged 65	19.1	19.1
Future pensioners at 65 aged 45 now	20.6	20.6

The assets in the scheme at the balance sheet date were:

	2020 £m	2019 £m
Equities	8.1	10.3
Fixed income/liability driven investment	37.0	35.6
Property	1.8	1.8
Cash	0.3	0.8
Other return seeking assets	12.6	12.9
	<u>59.8</u>	<u>61.4</u>

There have been significant movements in the financial markets over the month of March as a result of coronavirus, and this has had an impact on the value of pension scheme assets at 28 March 2020.

Global equity markets have experienced reductions in value by up to 20% over the month, although a number of the Company's pension schemes have protections in place to reduce exposure to changes in equity markets. The current market volatility and fundamental economic uncertainties have also resulted in difficulties in valuing certain assets of the pension schemes that are not listed on public markets. Where the investment manager has provided a valuation of those private or illiquid assets as at 28 March 2020 we have relied on that valuation, as the managers will have a better understanding of the movements in that asset over the period than we would otherwise be able to estimate. However, there are a number of assets where valuations were not provided prior to the production of this report.

There are some assets for which an updated valuation was not available as at 28 March 2020 and therefore stale asset prices were provided. Management have applied estimated adjustments to these assets which served to reduce their value prior to inclusion in the above figures.

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

20. Pension scheme (continued)

The balance sheet position for the company:

	2020 £m	2019 £m
Total fair value of assets	59.8	61.4
Present value of scheme liabilities	(67.0)	(71.8)
Deficit in the scheme	(7.2)	(10.4)

Amounts recognised in the profit and loss account:

	2020 £m	2019 £m
Net interest cost	(0.2)	(0.2)
Administrative cost (chargeable as operating cost)	(0.2)	(0.3)
Service cost (chargeable as operating cost)	-	(1.1)
	(0.4)	(1.6)

Amounts recognised in the statement of comprehensive income:

	2020 £m	2019 £m
Actual return on pension scheme assets	(1.0)	(0.1)
Experience gain/(loss) arising on scheme liabilities	0.2	(0.3)
Changes in assumptions	3.6	(2.5)
	2.8	(2.9)

Movements in the present value of defined benefit obligations were as follows:

	2020 £m	2019 £m
Opening position	71.8	68.7
Administrative cost	0.2	0.3
Past service cost	-	1.1
Interest cost	1.7	1.8
Actuarial (gain)/loss	(3.7)	2.7
Benefits paid	(3.0)	(2.8)
Closing position as at balance sheet date	67.0	71.8

Movements in the fair value of scheme assets were as follows:

	2020 £m	2019 £m
Opening position	61.4	61.7
Interest income	1.5	1.6
Employer contributions	0.9	1.0
Actuarial loss	(1.0)	(0.1)
Benefits paid	(3.0)	(2.8)
Closing position as at balance sheet date	59.8	61.4

First Cymru Buses Limited

Notes to the financial statements (continued) For the 52 week period ended 28 March 2020

20. Pension scheme (continued)

FirstGroup Pension Scheme

The company participates in a group multi-employer defined benefit scheme, the FirstGroup Pension Scheme. This scheme is disclosed in FirstGroup Holdings Limited's financial statements and is funded separately by defined contributions which have been expensed to the profit and loss account of FirstGroup Holdings Limited during the period to 28 March 2020. There is no charge in the company's profit and loss. The assets and liabilities of the scheme are held separately and cannot be allocated out, accordingly, the scheme is treated as a defined contribution scheme in the financial statements.

The surplus on the FirstGroup Pension Scheme of £32.8 million (2019: £26.6 million) is reported within FirstGroup Holdings Limited financial statements.

21. Ultimate parent company

The company's immediate parent and controlling party is FirstBus (South) Limited.

The directors regard FirstGroup plc, a company incorporated in the United Kingdom and registered in Scotland, as the ultimate parent and controlling company, which is the smallest and largest group that includes the company's results and for which group financial statements are prepared.

Copies of the financial statements of FirstGroup plc can be obtained on request from 395 King Street, Aberdeen, AB24 5RP, which is the registered office of FirstGroup plc.

22. Events after the reporting period

The impact of the coronavirus pandemic on the company's operations is discussed within the principal risks and uncertainties in the Strategic Report on pages 1 to 4, as well as set out within note 1.

Subsequent to the balance sheet date, the company has monitored the business performance, internal actions, as well as other relevant external factors (such as changes in any of the government restrictions and policy guidance). No adjustments to the key estimates and judgements that impact the balance sheet as at 28 March 2020 have been identified.

The following non-adjusting events have occurred since 28 March 2020:

- Use of the UK government's Coronavirus Job Retention Scheme for furloughed staff as required; and
- Agreed Covid-19 Bus Emergency Scheme funding with the government.