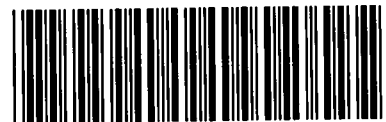


**COMPANY REGISTRATION NUMBER: 01997971**

**NEWPORT TRANSPORT LIMITED**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2022**

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# **NEWPORT TRANSPORT LIMITED**

## **FINANCIAL STATEMENTS**

**Year ended 31 March 2022**

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# **NEWPORT TRANSPORT LIMITED**

## **STRATEGIC REPORT**

**Year ended 31 March 2022**

### **Strategic report**

The Directors present their strategic report for the year ended 31st March 2022.

### **Principle activities**

Newport Transport continues to be the primary public transport provider in the Newport City area and also supplies the links between the major urban areas in Monmouthshire. Services also extend through the Severnside area to Bristol via the Traws Cymru network. The Directors use many performance indicators, both financial and non-financial to monitor the company's position, performance and progress during the year across all areas of the business.

### **Business review**

Like many other Welsh bus operators, the company delivered a solid if unspectacular set of results underpinned by the financial support provided by Welsh Government (WG) through the Bus Emergency Scheme (BES). An updated scheme built upon that initially introduced during the Covid 19 pandemic continued to provide the funding necessary to bridge the gap between currently depressed passenger levels and those experienced pre-pandemic, whilst allowing elements of the company's business plan to also be implemented.

Despite passenger numbers only increasing to levels of approximately half of those enjoyed pre-March 20, the company slowly built back services and frequency where it was needed across the network, which is reflected in a more than doubling of genuine turnover. The support provided by WG through the BES2 scheme, Concessionary Fares, Tendered Income and Bus Service Support Grant (BSSG) are recognised in other operating income within the financial statements. An effort has also been made to match operating costs to actual activity and other expenses to hardship support which has resulted in a consistent gross profit and operating profit across the two years of the pandemic when the exceptional item is excluded.

The exceptional item relates to a pension provision carried by Newport Transport (NTL) at the time the Local Government Pension Scheme (LGPS) was absorbed by its shareholder, Newport City Council. Subsequent review of the scheme position by Torfaen County Borough Council, the scheme administrators, identified the provision was no longer required, hence it being written back to profit and responsible for the increase in operating profit.

The last year has seen the 16 electric buses purchased at the end of the previous financial year enter service (the first in Wales) to overwhelmingly positive feedback from customers and other user groups, confirming the decision to embark on a zero-emission strategy in advance of other operators in Wales. This acquisition is reflected in the movement in Fixed Assets and the Bank account within the Balance Sheet.

The company has also partnered with WG and Transport for Wales (TFW) to deliver a 9-bus urban demand responsive bus service branded Fflecsi. This is again one of the first projects of its kind to be launched in Wales and is working with our expanded scheduled bus network to provide additional capacity during normal weekdays, as well as evenings and weekends, where it remains uneconomic to operate conventional services. NTL has also worked with a software developer, to create an app which provides the booking and scheduling of travel for the customer.

NTL provided two free travel periods in December 21 and March 22 on the back of the findings of the Burns led South-East Wales Transport Commission, and while these initiatives demonstrated just how popular free travel can be, it remains to be seen if they can provide the long-term kick start that the sector requires.

The current year has also seen the end of the furlough scheme which supported so many businesses over the last eighteen months. The return to normal working patterns for all our staff has emphasised just how critical they are to the company and its future success. The company has therefore been doing all it can to improve pay rates, introduce bonus schemes and improve pension and life cover benefits to aid staff retention.

# NEWPORT TRANSPORT LIMITED

## STRATEGIC REPORT *(continued)*

### Year ended 31 March 2022

The directors consider the key performance indicators of the company to be:

	2022	2021
Operating Profit	£926,856	£551,070
Operating Profit Margin	13.9%	17.7%
Net Profit Margin	12.8%	17.3%
Total passenger numbers	2,591,282	974,359
Average PVR	69	43
Passengers per PVR	37,555	22,660

#### Principle risks and uncertainties

The company's operations are exposed to a variety of financial and operational risks and challenges which could have a material impact on the company's performance. Those risks appear more significant than ever following the impact of COVID 19.

The biggest unknown factor and therefore threat to the success of the company is knowing if passenger numbers will ever return to pre-pandemic levels. This problem is also directly linked to the funding currently being provided by WG through BES.

The changes in peoples working practices over the last two years, including working from home, and a possible reluctance to use public transport following the pandemic, could lead to a permanent reduction in demand.

At the time of writing BES3 confirms gap funding until April 2023. However, if operators are not fully commercial by that point will it mean a further iteration of the BES scheme? Discussions between the industry, trade bodies and government remain positive, and WG's stated desire to control public transport via a franchising model make it more likely that a solution can be found.

The efforts made by the company to improve terms and conditions have led to a relatively stable workforce and produced what are considered amongst the best working environments in the South Wales area. However, the shortage of PCV drivers and Engineers, exacerbated since the pandemic, mean the company is susceptible to wage competition and an over-reliance on costly agency staff, a position not helped by the delays to vocational testing at the DVLA in Swansea.

The last year demonstrated just how vulnerable the industry can be to surges in price of both diesel and electricity. The company has sought to place extended supply contracts wherever possible to cover the next two years and until there is some stability in the market. The move towards a growing electric fleet will reduce the reliance on diesel, which is historically more volatile, and the current BES agreement provides some protection from market forces.

#### Future developments

Despite the uncertain environment in which the company operates, it continues to improve its offering to the people of Newport with a further delivery of 16 electric buses in mid-2022 increasing the EV fleet to 32, with the operator targeting Air Quality Management Areas (AQMA) within Newport to help reduce pollutants in these districts, while also serving the new hospital in Cwmbran.

The continued investment in EV fleet forms a key part of the company's long term financial and environmental strategy. With an additional delivery of EV buses due early in 2023 it has become necessary to undertake substantial development of the depot infrastructure to accommodate both the number of fleet and the provision of charging facilities. This has been achieved through a combination of BES funding and own investment. This work which includes an increased depot supply provides the company with the ability to expand the EV fleet to 80 buses.

# **NEWPORT TRANSPORT LIMITED**

## **STRATEGIC REPORT** *(continued)*

**Year ended 31 March 2022**

The pandemic has unfortunately provided new business opportunities, where established companies have either decided to call it a day or been forced from the market because of the lack of support. NTL plans to increase its private hire provision by securing additional coaches to be used on school and private work contracts as there is a paucity of coach operators in this corner of Wales.

### **Conclusion**

The importance of the funding provided by national and local government cannot be underestimated. It has allowed the company to re-set after the pandemic and build service frequency back based upon public demand rather than a desire to exploit available funding. It has also allowed the company to continue with the zero-emission strategy set out in its business plan, which aligns with both WG and shareholder aspirations.

The company remains committed to its core values of providing safe, reliable and affordable public transport which now also offers a green, environmentally friendly option to the car.

The Board of Directors would again like to place on record their thanks to the staff and management of the Company who continue to deliver exceptional service and contribute to the lasting success of Newport Transport.

### **Going concern**

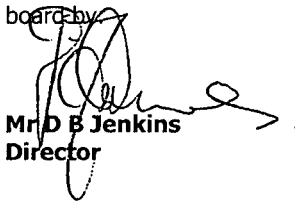
The Board and executive Directors of Newport Transport continue to revise their five-year business plan in light of changes to its forecast passenger numbers, changes to its market environment, and recognition of improving business opportunities outside its core operation.

The Directors are also mindful of the detailed and often privileged discussions that take place with WG and their publicly stated desire for the industry in Wales.

The Board have evaluated these forecasts in terms of the probable continuation of government support, and the effect that the termination of that support may have on its operating cost base and investment targets. The Board recognise that changes to the wider financial landscape could lead to a much smaller and leaner company that focuses purely on its core delivery.

On that basis the Directors of the company consider that Newport Transport remains a going concern and are content that the financial statements are prepared under that principle for the coming twelve months.

This report was approved by the board of directors on 21/12/22 and signed on behalf of the board by

  
**Mr D B Jenkins**  
**Director**

# **NEWPORT TRANSPORT LIMITED**

## **DIRECTORS' REPORT**

### **Year ended 31 March 2022**

The directors present their report and the financial statements of the company for the year ended 31 March 2022.

#### **Directors**

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

Mr J J Clarke	
Ms D A Harvey	
Mr D B Jenkins	
Mr T W W Knowles	
Mr W Langsford	
Mr S Pearson	
Mr M J Spencer	
Mr M H Stevens	
Ms J Cleverly	(Appointed 21 April 2021)
Mr R J Green	(Appointed 15 October 2021)
Ms T Holyoake	(Resigned 10 February 2022)

#### **Dividends**

The directors do not recommend the payment of a dividend.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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;
- 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.

# **NEWPORT TRANSPORT LIMITED**

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

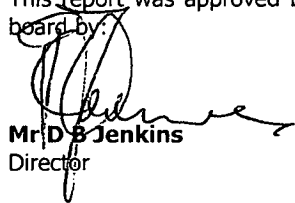
**Year ended 31 March 2022**

### **Auditor**

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

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

This report was approved by the board of directors on .....21/12/22..... and signed on behalf of the board by:

  
**Mr D B Jenkins**  
Director



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWPORT TRANSPORT LIMITED**

**Year ended 31 March 2022**

### **Opinion**

We have audited the financial statements of Newport Transport Limited (the 'company') for the year ended 31 March 2022 which comprise the profit and loss account, balance sheet, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **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.

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.





**KILSBY  
WILLIAMS**  
Chartered Accountants

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWPORT  
TRANSPORT LIMITED** *(continued)*

**Year ended 31 March 2022**

**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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

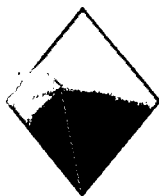
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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

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

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



**KILSBY  
WILLIAMS**  
Chartered Accountants

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWPORT TRANSPORT LIMITED *(continued)***

**Year ended 31 March 2022**

### **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.

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 gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management and enquiries of legal counsel. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



**KILSBY  
WILLIAMS**  
Chartered Accountants

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWPORT  
TRANSPORT LIMITED** *(continued)*

**Year ended 31 March 2022**

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**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.

**Simon Tee (Senior Statutory Auditor)**

**For and on behalf of**

Kilsby & Williams LLP  
Chartered Accountants & statutory auditor  
Cedar House  
Hazell Drive  
Newport  
NP10 8FY

*Kilsby & Williams LLP*  
*26th December 2022*

# NEWPORT TRANSPORT LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 March 2022

	Note	2022 £	2021 £
<b>TURNOVER</b>	<b>5</b>	6,665,392	3,119,002
Cost of sales		(5,893,353)	(2,330,908)
<b>GROSS PROFIT</b>		772,039	788,094
Administrative expenses		(5,520,491)	(5,947,180)
Other operating income	<b>6</b>	5,296,123	5,710,156
Exceptional items	<b>7</b>	379,185	–
<b>OPERATING PROFIT</b>	<b>8</b>	926,856	551,070
Other interest receivable and similar income	<b>12</b>	295	152
Interest payable and similar expenses	<b>13</b>	(76,261)	(13,128)
<b>PROFIT BEFORE TAXATION</b>		850,890	538,094
Tax on profit	<b>14</b>	125,197	–
<b>PROFIT FOR THE FINANCIAL YEAR</b>		976,087	538,094
Revaluation of tangible assets		–	1,231,875
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		976,087	1,769,969

All the activities of the company are from continuing operations.

The notes on pages 13 to 25 form part of these financial statements.

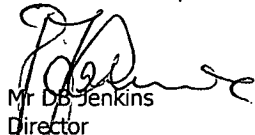
# NEWPORT TRANSPORT LIMITED

## BALANCE SHEET

31 March 2022

	Note	2022 £	2021 £
<b>FIXED ASSETS</b>			
Tangible assets	14	10,464,851	6,993,934
<b>CURRENT ASSETS</b>			
Stocks	15	272,926	181,219
Debtors	16	1,800,775	1,104,672
Cash at bank and in hand		1,536,858	4,260,758
		3,610,559	5,546,649
<b>CREDITORS: amounts falling due within one year</b>	17	(2,929,581)	(3,096,026)
<b>NET CURRENT ASSETS</b>		680,978	2,450,623
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		11,145,829	9,444,557
<b>CREDITORS: amounts falling due after more than one year</b>	18	(1,614,841)	(1,850,000)
<b>ACCRUALS AND DEFERRED INCOME</b>		(5,844,558)	(4,884,214)
<b>NET ASSETS</b>		<u>3,686,430</u>	<u>2,710,343</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	23	251,002	251,002
Revaluation reserve	24	1,226,735	1,231,875
Profit and loss account	24	2,208,693	1,227,466
<b>SHAREHOLDERS FUNDS</b>		<u>3,686,430</u>	<u>2,710,343</u>

These financial statements were approved by the board of directors and authorised for issue on 21/12/22, and are signed on behalf of the board by:

  
Mr DB Jenkins  
Director

Company registration number: 01997971

The notes on pages 13 to 25 form part of these financial statements.

# NEWPORT TRANSPORT LIMITED

## STATEMENT OF CASH FLOWS

Year ended 31 March 2022

	2022 £	2021 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the financial year	976,087	538,094
<i>Adjustments for:</i>		
Depreciation of tangible assets	945,394	841,923
Government grant income	(5,294,938)	(5,710,156)
Other interest receivable and similar income	(295)	(152)
Interest payable and similar expenses	76,261	13,128
Loss on disposal of tangible assets	12,579	9,668
Tax on profit	(125,197)	-
Accrued expenses	-	448,758
<i>Changes in:</i>		
Stocks	(91,707)	(32,140)
Trade and other debtors	(95,281)	(301,610)
Trade and other creditors	832,716	86,987
Cash generated from operations	(2,764,381)	(4,105,500)
Interest paid	(49,685)	(13,128)
Interest received	295	152
Net cash used in operating activities	<u>(2,813,771)</u>	<u>(4,118,476)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible assets	(4,498,549)	(3,194,117)
Proceeds from sale of tangible assets	69,659	1,000
Net cash used in investing activities	<u>(4,428,890)</u>	<u>(3,193,117)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	-	1,850,000
Repayments of loans from group undertakings	(735,089)	240,627
Government grant income	5,294,938	9,001,620
Payments of finance lease liabilities	(41,088)	(167,858)
Net cash from financing activities	<u>4,518,761</u>	<u>10,924,389</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(2,723,900)</u>	<u>3,612,796</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>4,260,758</u>	<u>647,962</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>1,536,858</u>	<u>4,260,758</u>

The notes on pages 13 to 25 form part of these financial statements.

# **NEWPORT TRANSPORT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2022**

### **1. GENERAL INFORMATION**

The company is a private company limited by shares, registered in England & Wales. The address of the registered office is 160 Corporation Road, Newport, NP19 0WF.

### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### **3. ACCOUNTING POLICIES**

#### **Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### **Going concern**

In the year to 31 March 2022 the company made a profit before tax of £850,890 (2021 - £538,094). Unaudited financial results since the year end show the company made a £526k profit before tax despite continued lower passenger numbers, due to the impact of COVID-19. The company has achieved its financial results due to continued government support through concessionary fares, BES2 and BES3 funding, which finishes in March 2023. As a result the directors have had to consider whether the going concern basis is appropriate.

The directors have prepared detailed forecasts for the following 12 months with and without further government grant support. The directors have reasonable expectation that the company has adequate resources to continue in operational existence and can meet debts as they fall due. In forming this view they have considered the current position of the company, the forecast position and the probable continuation of Welsh Government support.

#### **Turnover**

Turnover consists of fares received from passengers, local authority support of concessionary travel arrangements, and the value of the other goods and services supplied to customers. Turnover excludes Value Added Taxes and trade discounts.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

# NEWPORT TRANSPORT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

### 3. ACCOUNTING POLICIES *(continued)*

#### Taxation

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

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

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

#### Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

#### Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

#### Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	5-50 years
Plant and machinery	-	3-10 years
Motor vehicles	-	4-15 years

Assets under construction are not depreciated until they are fully commissioned and in use.

#### Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.



# **NEWPORT TRANSPORT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**Year ended 31 March 2022**

### **3. ACCOUNTING POLICIES** *(continued)*

#### **Impairment of fixed assets** *(continued)*

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

#### **Stocks**

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

#### **Finance leases and hire purchase contracts**

Assets held under finance leases and hire purchase contracts are recognised in the balance sheet as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

#### **Government grants**

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

# **NEWPORT TRANSPORT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**Year ended 31 March 2022**

### **3. ACCOUNTING POLICIES** *(continued)*

#### **Financial instruments**

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

#### **Defined contribution plans**

The Company operates a defined benefit contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

# NEWPORT TRANSPORT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

### 4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Key sources of estimation uncertainty*

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### *Provision for insurance claims*

Provision is made for all known incidents for which there is self-insurance using a third party insurer's best estimate of the value of outstanding claims yet to be settled. The estimate is continually revised based on the claims history, the status of known claims and estimations of claims yet to be made. It can vary subject to third party activity in these areas.

Provision is also made, using a third party's best estimate of the value to settle a claim.

Given the diversity of claim types, their size, the range of possible outcomes and the time involved in settling these claims, a material change could be required to the carrying value of claims provisions in the next financial year. These factors also make it impractical to provide sensitivity analysis on one single measure and its potential impact on overall insurance provisions.

The provision for insurance claims at the year-end is £416k (2021: £402k).

#### *Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect the current estimates, based on the technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 14 for the carrying amount of the tangible assets and Note 3 for the useful economic lives for each class of assets.

#### *Going concern*

The directors have prepared forecasts in excess of 12 months post the date of sign off which have enabled them to conclude the company will meet all of their liabilities as they fall due and that it is appropriate to prepare the accounts on a going concern basis. There are certain judgements used within the forecasts, which are considered achievable and appropriate.

#### *Freehold property valuation*

The freehold property is held at a current market valuation. The property has been revalued by the company at 31 March 2021 by reference to the valuation reports produced by Savills. This valuation is based on an estimate by Savills by reference to market evidence for comparable property

### 5. TURNOVER

Turnover arises from:

	2022	2021
	£	£
Rendering of services	<u>6,665,392</u>	<u>3,119,002</u>

# NEWPORT TRANSPORT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### Year ended 31 March 2022

#### 5. TURNOVER *(continued)*

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

#### 6. OTHER OPERATING INCOME

	2022	2021
	£	£
Government grant income	5,294,938	5,710,156
Other operating income	1,185	–
	<u>5,296,123</u>	<u>5,710,156</u>

The other operating income included in the accounts includes various government support arrangement in place during the Covid 19 pandemic including Bus Emergency Scheme (BES) and Furlough scheme. This support was to bridge the gap in income and costs due to lockdowns and reduced passenger numbers during the pandemic, and to ensure flexibility of our network to support key workers and essential travel in the city. The costs relating to this support that was previously included in costs of sales during normal operations has been transferred to operating costs in the 2020/21 & 2021/22 accounts.

#### 7. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2022	2021
	£	£
Depreciation of tangible assets	945,394	841,923
Loss on disposal of tangible assets	12,579	9,668
Impairment of trade debtors	(589)	23,370
Bus Emergency Support Grant income	(3,381,903)	(2,096,060)
Furlough income	(90,481)	(1,118,532)
Economic Resilience Grant Fund income	–	(100,000)
Bus Service Support Grant income	(573,277)	(589,185)
Concession income	<u>(2,542,006)</u>	<u>(2,460,030)</u>

#### 8. AUDITOR'S REMUNERATION

	2022	2021
	£	£
Fees payable for the audit of the financial statements	<u>14,500</u>	<u>14,500</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>1,000</u>	<u>1,000</u>

# NEWPORT TRANSPORT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### Year ended 31 March 2022

#### 5. TURNOVER *(continued)*

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

#### 6. OTHER OPERATING INCOME

	2022 £	2021 £
Government grant income	5,294,938	5,710,156
Other operating income	1,185	–
	<u>5,296,123</u>	<u>5,710,156</u>

The other operating income included in the accounts includes various government support arrangement in place during the Covid 19 pandemic including Bus Emergency Scheme (BES) and Furlough scheme. This support was to bridge the gap in income and costs due to lockdowns and reduced passenger numbers during the pandemic, and to ensure flexibility of our network to support key workers and essential travel in the city. The costs relating to this support that was previously included in costs of sales during normal operations has been transferred to operating costs in the 2020/21 & 2021/22 accounts.

#### 7. EXCEPTIONAL ITEMS

During the year the company agreed with Newport City Council and the LGPS Trustees that the previous pension contributions agreed but not paid to the scheme (£379,185), would no longer be due. This has resulted in a reduction in the pension creditor of £379,185 and a credit to the profit and loss account for the same amount.

#### 8. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2022 £	2021 £
Depreciation of tangible assets	945,394	841,923
Loss on disposal of tangible assets	12,579	9,668
Impairment of trade debtors	(589)	23,370
Bus Emergency Support Grant income	(3,381,903)	(2,096,060)
Furlough income	(90,481)	(1,118,532)
Economic Resilience Grant Fund income	–	(100,000)
Bus Service Support Grant income	(573,277)	(589,185)
Concession income	<u>(2,542,006)</u>	<u>(2,460,030)</u>

#### 9. AUDITOR'S REMUNERATION

	2022 £	2021 £
Fees payable for the audit of the financial statements	<u>14,500</u>	<u>14,500</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>1,000</u>	<u>1,000</u>

# NEWPORT TRANSPORT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

### 10. STAFF COSTS

The average number of persons employed by the company during the year, including the directors, amounted to:

	2022 No.	2021 No.
Administrative staff	23	25
Service	127	136
Maintenance	37	35
	<u>187</u>	<u>196</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022 £	2021 £
Wages and salaries	5,187,821	3,917,103
Social security costs	408,375	302,312
Other pension costs	174,610	171,262
	<u>5,770,806</u>	<u>4,390,677</u>

### 11. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	2022 £	2021 £
Remuneration	342,575	274,789
Company contributions to defined contribution pension plans	21,974	21,238
	<u>364,549</u>	<u>296,027</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2022 No.	2021 No.
Defined contribution plans	<u>3</u>	<u>3</u>

Remuneration of the highest paid director in respect of qualifying services:

	2022 £	2021 £
Aggregate remuneration	133,296	110,763
Company contributions to defined contribution pension plans	8,720	8,583
	<u>142,016</u>	<u>119,346</u>

### 12. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £	2021 £
Interest on cash and cash equivalents	<u>295</u>	<u>152</u>

# NEWPORT TRANSPORT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

### 13. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £	2021 £
Interest on obligations under finance leases and hire purchase contracts	635	13,128
Other interest payable and similar charges	75,626	–
	<u>76,261</u>	<u>13,128</u>

### 14. TAX ON PROFIT

#### Major components of tax income

	2022 £	2021 £
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(125,197)	–
<b>Tax on profit</b>	<u>(125,197)</u>	<u>–</u>

#### Reconciliation of tax income

The tax assessed on the profit on ordinary activities for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Profit on ordinary activities before taxation	850,890	538,094
Profit on ordinary activities by rate of tax	161,669	102,238
Effect of expenses not deductible for tax purposes	10,528	6,578
Effect of capital allowances and depreciation	12,875	15,200
Change in deferred tax rate	(30,047)	–
Deferred tax not recognised	–	(124,016)
Brought forward deferred tax asset not recognised	(280,222)	–
Tax on profit	<u>(125,197)</u>	<u>–</u>

# NEWPORT TRANSPORT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

### 15. TANGIBLE ASSETS

	Freehold property £	Plant and machinery £	Motor vehicles £	Assets under construction £	Total £
<b>Cost</b>					
At 1 April 2021	1,850,000	1,915,281	12,963,120	–	16,728,401
Additions	–	111,420	26,118	4,361,011	4,498,549
Disposals	–	(85,103)	(1,573,627)	–	(1,658,730)
Transfers	–	160,949	113,881	(274,830)	–
<b>At 31 March 2022</b>	<u>1,850,000</u>	<u>2,102,547</u>	<u>11,529,492</u>	<u>4,086,181</u>	<u>19,568,220</u>
<b>Depreciation</b>					
At 1 April 2021	–	1,743,985	7,990,482	–	9,734,467
Charge for the year	74,000	73,865	797,529	–	945,394
Disposals	–	(84,012)	(1,492,480)	–	(1,576,492)
<b>At 31 March 2022</b>	<u>74,000</u>	<u>1,733,838</u>	<u>7,295,531</u>	<u>–</u>	<u>9,103,369</u>
<b>Carrying amount</b>					
<b>At 31 March 2022</b>	<u>1,776,000</u>	<u>368,709</u>	<u>4,233,961</u>	<u>4,086,181</u>	<u>10,464,851</u>
At 31 March 2021	<u>1,850,000</u>	<u>171,296</u>	<u>4,972,638</u>	<u>–</u>	<u>6,993,934</u>

The freehold land and buildings were valued on 7 October 2021 at £1,850,000. The valuation was completed by Savills (UK) Limited and a RICS certified surveyor, by reference to market evidence for comparable property. The directors do not believe that this property valuation has materially changed in the period to 31 March 2022.

#### Tangible assets held at valuation

In respect of tangible assets held at valuation, the aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

	Freehold property £
<b>At 31 March 2022</b>	
Aggregate cost	1,563,139
Aggregate depreciation	(1,013,874)
<b>Carrying value</b>	<u>549,265</u>
<b>At 31 March 2021</b>	
Aggregate cost	1,563,139
Aggregate depreciation	(945,014)
<b>Carrying value</b>	<u>618,125</u>



# NEWPORT TRANSPORT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

### 16. STOCKS

	2022	2021
	£	£
Stock	<u>272,926</u>	<u>181,219</u>

### 17. DEBTORS

	2022	2021
	£	£
Trade debtors	235,855	491,620
Amounts owed by group undertakings	656,751	181,126
Deferred tax asset	125,197	–
Prepayments and accrued income	451,105	273,559
Other debtors	<u>331,867</u>	<u>158,367</u>
	<u>1,800,775</u>	<u>1,104,672</u>

The trade debtors balance includes a bad debt provision of £115,517 (2021: £146,037).

### 18. CREDITORS: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	1,068,398	815,545
Amounts owed to group undertakings	314,479	573,943
Social security and other taxes	115,171	14,741
Obligations under finance leases and hire purchase contracts	–	41,088
Other loans	261,735	–
Other creditors	<u>1,169,798</u>	<u>1,650,709</u>
	<u>2,929,581</u>	<u>3,096,026</u>

### 19. CREDITORS: amounts falling due after more than one year

	2022	2021
	£	£
Other loans	<u>1,614,841</u>	<u>1,850,000</u>

### 20. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2022	2021
	£	£
Not later than 1 year	<u>–</u>	<u>41,088</u>

# NEWPORT TRANSPORT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

**Year ended 31 March 2022**

### 21. DEFERRED TAX

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

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Included in debtors (note 17)	125,197	–

The deferred tax account consists of the tax effect of timing differences in respect of:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	446,341	–
Unused tax losses	(567,402)	–
Provisions	(1,700)	–
Other retirement benefits	(2,436)	–
	<u>(125,197)</u>	<u>–</u>

Over the following 12 months the deferred tax asset is expected to reverse in full due to profits utilising the brought forward losses.

### 22. EMPLOYEE BENEFITS

#### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £174,610 (2021: £171,262).

### 23. GOVERNMENT GRANTS

The amounts recognised in the financial statements for government grants are as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Recognised in accruals and deferred income:		
Deferred government grants due within one year	777,588	839,751
Deferred government grants due after more than one year	5,066,970	4,044,463
	<u>5,844,558</u>	<u>4,884,214</u>
Recognised in other operating income:		
Government grants recognised directly in income	5,175,587	5,710,156
Government grants released to profit or loss	119,351	–
	<u>5,294,938</u>	<u>5,710,156</u>

### 24. CALLED UP SHARE CAPITAL

#### Issued, called up and fully paid

	<b>2022</b>		<b>2021</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary shares of £1 each	<u>251,002</u>	<u>251,002</u>	<u>251,002</u>	<u>251,002</u>

# NEWPORT TRANSPORT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

### 25. RESERVES

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

Profit and loss account - This reserve records retained earnings and accumulated losses.

### 26. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 2021	Cash flows	Other changes	At 31 Mar 2022
	£	£	£	£
Cash at bank and in hand	4,260,758	(2,723,900)	–	1,536,858
Debt due within one year	(615,031)	301,904	(263,087)	(576,214)
Debt due after one year	(1,850,000)	49,050	186,109	(1,614,841)
	<u>1,795,727</u>	<u>(2,372,946)</u>	<u>(76,978)</u>	<u>(654,197)</u>

### 27. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	2022	2021
	£	£
Tangible assets	<u>33,043</u>	<u>–</u>

### 28. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2022	2021
	£	£
Not later than 1 year	753,797	614,851
Later than 1 year and not later than 5 years	2,600,676	2,180,281
Later than 5 years	3,673,221	3,898,747
	<u>7,027,694</u>	<u>6,693,879</u>

### 29. RELATED PARTY TRANSACTIONS

100% of the shares of the Company are owned by Newport City Council which is the ultimate parent undertaking.

The Company purchased goods and services from the Council for £112,555 (2021: £238,817) during the year. The year end balance due to the Council was £314,479 (2021: £573,943).

The Company made sales to the Council of £3,600,505 (2021: £2,986,267) during the year. At the year end the amount due from the council was £658,532 (2021: £181,126).

Included within accruals is an amount of £nil (2021: £379,185) due to Newport City Council in respect of outstanding pension scheme payments. This liability relates to employees of the company that are deemed to be employed by NCC for pension scheme purposes.

Key management personnel are the directors.

### 30. CONTROLLING PARTY

The ultimate parent company is Newport City Council, which owns 100% of the share capital. Copies of the group accounts can be obtained from Newport City Council, Civic Centre, Newport, NP10 4UR.