Company Registration No 2001229

CARDIFF CITY TRANSPORT SERVICES LIMITED

Report and Financial Statements

31 March 2012

REPORT AND FINANCIAL STATEMENTS 2012

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Aubrey	(non-executive)
P Bale	(non-executive) - appointed 21 June 2012
R Derbyshire	(non-executive) – appointed 21 June 2012
K Jones	(non-executive) – appointed 21 June 2012
G A Mole	
C Ogbonna	
G S Payne	(non-executive)
B Thomas	(non-executive) – appointed 21 June 2012
A C Williams	(non-executive) – appointed 21 June 2012

SECRETARY
C Ogbonna

REGISTERED OFFICE

Leckwith Depot and Offices
Sloper Road
Leckwith
Cardiff
CF11 8TB

SOLICITORS

Hugh James
Hodge House
114-116 St Mary Street
Cardiff
CF10 1DY

Burges Salmon LLP
One Glass Wharf
Bristol
BS2 0ZX

AUDITOR

Deloitte LLP
Cardiff

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2012

PRINCIPAL ACTIVITIES

The company was established in accordance with the Transport Act 1985 regulating transport undertakings wholly owned by municipal authorities Cardiff City Council is therefore the only shareholder of Cardiff City Transport Services Limited The company holds 100% of the share capital of Vale Busline Limited a dormant company

The principal activity of the company and the group is to provide road passenger transport services

BUSINESS REVIEW

The financial year ended 31 March 2012 was a year of economic uncertainty However passenger numbers were in line with expectations

The directors are satisfied with the financial and operational result for the year and believe that the group will continue to perform satisfactorily in the future

The company s key measurements of the effectiveness of its operations are turnover and gross margin

As shown in the company's consolidated profit and loss account on page 7 the company s turnover increased by 2 5% to £33 141 000 (2011 - £32 335 000) Gross profit increased to £1 792,000 (2011 - £1 538,000) showing an improvement in margin to 5 4% (2011 – 4 8%)

After an independent review by the company s insurers the directors have released £283 000 (2011 - £196 000) from its self-insurance fund provision in relation to an excess of management's best estimate of the monetary liability which has been netted off from the insurance cost disclosed within cost of sales

Exceptional costs of £1 976 000 incurred during the year resulted in an operating loss of £767 000 (2011 – operating profit of £979 000) and loss after taxation for the financial year of £374 000 (2011 – profit of £573 000)

The consolidated balance sheet on page 9 of the financial statements shows that the company has net assets of £7 569 000 (2011 - £9 150 000)

Details of amounts owed to Cardiff City Council the only shareholder are shown in note 27 to the financial statements

GOING CONCERN

At 31 March 2012 the group and company had cash of £1 547 000 (2011 - £2 096 000) and net assets of £7 569,000 (2011 - £9 150 000) The executive directors have considered the group's forecast and budgeted profit and associated cash flows for the foreseeable future The directors have considered the facilities available to the group and believe that they can operate within the facilities available for the period of the cash flow forecast Accordingly the directors consider it is appropriate to adopt the going concern basis in the preparation of the company s financial statements

DIVIDENDS AND TRANSFERS TO RESERVES

The directors paid a dividend of £450 000 in the financial year (2011 - £370 000) The retained (loss)/profit for the financial year has been transferred (from)/to reserves

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The company like most other bus operators is exposed to global fluctuations in fuel prices The company continues to seek financial instruments that can be employed to lessen the impact on its operations of large movements in fuel prices (see note 26 for further detail)

The directors are satisfied that there are adequate internal control measures in the company The company will continue investing in the forthcoming year (£860 000 in the current year) to upgrade its depot and vehicle fleet and attract new users to public transport This should result in bus patronage within the Cardiff area remaining stable The company remains committed to its core value of providing reliable safe high quality and affordable public transport to the citizens of Cardiff

On 18 January 2011 2 Travel Group Plc (in liquidation) issued a claim against Cardiff Bus for damages pursuant to section 47A of the Companies Act 1998 alleging that the actions of Cardiff Bus led to various losses including the failure of the 2 Travel business The claim was a follow on action arising out of a decision of the Office of Fair Trading in which it was found that Cardiff Bus committed an infringement of the Chapter II prohibition contained in section 18 of the 1998 Act Judgement in the claim brought by 2 Travel has now been handed down by the Competition Appeal Tribunal The Tribunal awarded total damages to 2 Travel of £93 819 plus interest of 2% above base rate on a proportion of those damages (£33 819) Following the Tribunal's Judgement the matter of the parties costs remain outstanding and will be determined by the Tribunal if not otherwise agreed between the parties

Separate claims were also issued by three of 2 Travel's Group Plc's shareholders in the Competition Appeal Tribunal claiming their own losses arising out of the infringing conduct These claims are currently stayed The directors having obtained legal advice strenuously reject any grounds for these claims

As required by law the board of directors has had regard to the claims in setting the level of provisions in the accounts but the level provided (if any) in respect of these claims is not disclosed as it relates to matters that are the subject of legal proceedings currently before the Competition Appeal Tribunal

The directors have considered the group s financial risk management objectives and policies and consider the most significant risk to be the pension deficit The directors of the group are aware of this potential risk and are working with the trustees of the pension scheme taking active steps to address the risk in the near future

DIRECTORS

The directors of the company who served throughout the financial year and subsequently are set out on page 1 R Patel resigned as a non-executive director on 23 February 2012 I Aylwin J L Dixon R Foley and J Singh all resigned as non-executive directors on 3 May 2012 and J Carter resigned as a non-executive director on 30 July 2012 D Brown resigned as director on 6 July 2012

DISABLED PERSONS

The company and the group have a policy of encouraging the employment of disabled persons wherever this is practicable and attempt to provide equal opportunities to disabled persons The company and the group endeavour to ensure that disabled employees benefit from training and career development programmes in common with all employees

EMPLOYEE INVOLVEMENT

The company employs over 700 people (over 75% of whom are bus drivers) The Board is committed to maintaining and increasing the involvement of all employees in the successful development and operation of the company and the group The company actively encourages project teams process improvement groups continuous learning including a comprehensive Certificate of Professional Competence (CPC) training programme for all drivers and associated staff and personal and professional development to ensure that staff fulfil their full potential The company has open communication channels with all its employees including the appointment of an Employee Director on the Board a Joint Recognition Agreement strategic forum with trade union partners a company intranet site and a periodic magazine The company continues to work towards retaining and enhancing its Investors in People accreditation as well as improving the well-being and talents of all its employees

DIRECTORS' REPORT (continued)

AUDITOR

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware there is no relevant audit information of which the company's auditor is unaware and
- each of the directors has taken all the 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 confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to continue in office as the company's auditor and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

C Ogbonna
Secretary

31 July 2012

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) 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 group and the company and of the profit or loss of the group 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, 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CARDIFF CITY TRANSPORT SERVICES LIMITED

We have audited the financial statements of Cardiff City Transport Services Limited for the year ended 31 March 2012 which comprise the Consolidated Profit and Loss Account the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Note of Historical Cost Profits and Losses, the Consolidated and Company Balance Sheets the Consolidated Cash Flow Statement and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company s member 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 member those matters we are required to state to it 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 member for our audit work for this report or for the opinions we have formed

Respective responsibilities of directors and auditor
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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group s and the parent company s circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group s and the parent company s affairs as at 31 March 2012 and of the group s loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

David Hedditch

David Hedditch (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cardiff United Kingdom

1 August 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2012

	Note	£'000	2012 £'000	£'000	2011 £'000
TURNOVER	2		33 141		32,335
Cost of sales			(31 349)		(30 797)
GROSS PROFIT			1 792		1 538
Administrative expenses - other		(840)		(862)	
Administrative expenses - exceptional		(1 976)		-	
			(2 816)		(862)
Other operating income	4		257		303
OPERATING (LOSS)/PROFIT	7		(767)		979
Interest receivable and similar income	5	566		372	
Interest payable and similar charges	6	(165)		(230)	
			401		142
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(366)		1 121
Tax charge on (loss)/profit on ordinary activities	8		(8)		(548)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	21		(374)		573

All amounts derive from continuing operations

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2012

	2012 £'000	2011 £'000
(Loss)/profit for the financial year	(374)	573
Actuarial loss recognised in the pension scheme	(1 819)	(639)
UK deferred tax attributable to actuarial gains and losses	358	82
Total recognised (losses) / gains since last annual report and financial statements	(1,835)	16

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 March 2012

	2012 £'000	2011 £'000
(Loss)/profit on ordinary activities before taxation	(366)	1 121
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	183	168
Historical cost (loss)/profit on ordinary activities before taxation	(183)	1 289
Historical cost (loss)/profit for the year retained after taxation and dividends	(641)	371

CONSOLIDATED BALANCE SHEET
31 March 2012

	Note	£'000	2012 £'000	£'000	2011 £'000
FIXED ASSETS					
Tangible assets	11		18 417		19 254
CURRENT ASSETS					
Stocks	13	300		283	
Debtors	14	1 231		988	
Investments – bank deposits	15	2 591		2 923	
Cash at bank and in hand		1 547		2 096	
		5,669		6 290	
CREDITORS amounts falling due within one year	16	(5 643)		(4 851)	
NET CURRENT ASSETS			26		1 439
TOTAL ASSETS LESS CURRENT LIABILITIES			18 443		20 693
CREDITORS amounts falling due after more than one year	17		(1 081)		(2 425)
PROVISIONS FOR LIABILITIES	18		(3,446)		(3 317)
NET ASSETS EXCLUDING PENSION LIABILITY			13 916		14 951
Pension liability	19		(6,347)		(5 801)
NET ASSETS INCLUDING PENSION LIABILITY			7,569		9 150
CAPITAL AND RESERVES					
Called up share capital	20		4 618		4 618
Revaluation reserve	21		3,807		3 286
FRS17 pension reserve	21		(6,347)		(5 801)
Profit and loss account	21		5 491		7 047
SHAREHOLDER'S FUNDS	21		7 569		9 150

The financial statements of Cardiff City Transport Services Limited registered number 2001229 were approved by the Board of Directors and authorised for issue on 31 July 2012

C Ogbonna - Director   G A Mole - Director

COMPANY BALANCE SHEET
31 March 2012

	Note	£'000	2012 £'000	£'000	2011 £'000
FIXED ASSETS					
Tangible assets	11		18 417		19 254
Investments	12		1		1
			18,418		19 255
CURRENT ASSETS					
Stocks	13	300		283	
Debtors	14	1 231		988	
Investments – bank deposits	15	2 591		2,923	
Cash at bank and in hand		1 547		2 096	
		5 669		6 290	
CREDITORS amounts falling due within one year	16	(5,644)		(4,852)	
NET CURRENT ASSETS			25		1 438
TOTAL ASSETS LESS CURRENT LIABILITIES			18,443		20 693
CREDITORS amounts falling due after more than one year	17		(1 081)		(2 425)
PROVISIONS FOR LIABILITIES	18		(3 446)		(3 317)
NET ASSETS EXCLUDING PENSION LIABILITY			13 916		14 951
Pension liability	19		(6,347)		(5 801)
NET ASSETS INCLUDING PENSION LIABILITY			7,569		9 150
CAPITAL AND RESERVES					
Called up share capital	20		4,618		4 618
Revaluation reserve	21		3 807		3,286
FRS17 pension reserve	21		(6 347)		(5 801)
Profit and loss account	21		5 491		7,047
SHAREHOLDER'S FUNDS	21		7 569		9,150

The financial statements of Cardiff City Transport Services Limited registered number 2001229 were approved by the Board of Directors and authorised for issue on 31 July 2012

C Ogbonna - Director

G A Mole - Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2012

	Note	£'000	2012 £'000	£'000	2011 £'000
Net cash inflow from operating activities	22		2 274		2 272
Returns on investments and servicing of finance					
Interest received		17		32	
Interest paid		(165)		(230)	
Net cash outflow from returns on investments and servicing of finance			(148)		(198)
Taxation					
Corporation tax (paid)/repaid		(193)		250	
Tax (paid)/repaid			(193)		250
Capital expenditure					
Payments to acquire tangible fixed assets		(1 100)		(3 544)	
Receipts from sale of tangible fixed assets		15		4	
Net cash outflow from capital expenditure			(1 085)		(3 540)
Equity dividends paid			(450)		(370)
Cash inflow/(outflow) before use of liquid resources and financing			398		(1 586)
Management of liquid resources			332		3 215
Financing					
Capital element of finance lease payments			(1 279)		(1 215)
(Decrease)/increase in cash in the year	24		(549)		414
Reconciliation of net cash flow to movement in net funds					
(Decrease)/increase in cash in the year			(549)		414
Net cash outflow from lease financing			1 279		1 215
Cash outflow from increase in liquid resources			(332)		(3 215)
Change in net funds resulting from cash flows			398		(1 586)
Net funds at start of year			1 315		2 901
Net funds at end of year	24		1 713		1 315

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards The particular accounting policies adopted which have been applied consistently throughout the current and the prior financial year are described below

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold land and buildings

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertaking

Going concern

At 31 March 2012 the group and company had cash of £1 547 000 (2011 - £2 096 000) and net assets of £7 569 000 (2011 - £9 150 000) The executive directors have considered the group s forecast and budgeted profit and associated cash flows for the foreseeable future The directors have considered the facilities available to the group and believe that they can operate within the facilities available for the period of the cash flow forecast Accordingly the directors consider it is appropriate to adopt the going concern basis in the preparation of the company s financial statements

Tangible fixed assets and depreciation

No depreciation is provided on freehold land For all other tangible fixed assets except for some midibuses depreciation is calculated to write down their cost or revalued amount on a straight-line basis over their estimated useful economic lives which are considered to be

Freehold buildings	-	40 years on valuation
Fixtures and fittings plant and machinery	-	3-15 years on cost
Conventional buses and motor vehicles	-	5-10 years on cost or 12 years on cost less 10% residual value
Midibuses	-	10 years on cost or 12 years on cost less 10% residual value

Depreciation is charged from the month of purchase except for vehicles which are depreciated from the month that they are introduced into service

Individual freehold properties are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve except that a deficit that exceeds any previously recognised surplus over depreciated cost relating to the same property or the reversal of such a deficit is charged (or credited) to the profit and loss account A deficit that represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any previous surplus Where depreciation charges are increased following a revaluation an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves

Investments

Investments held as fixed assets are stated at cost less any provision for impairment

Leased assets

Assets held under finance lease and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

1 **ACCOUNTING POLICIES (continued)**

Stocks

Stocks are stated at the lower of cost and net realisable value

Provisions

Provision is made for outstanding insurance claims incurred at the balance sheet date

Turnover and revenue recognition

Turnover is the amount derived from the provision of the passenger transport services falling within the company s ordinary activities after deduction of trade discounts and value added tax Revenue is recognised in line with the period to which the service relates

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

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 not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets

Pensions

The group operates two defined benefit funded pension schemes The assets of the schemes are held separately from those of the group being invested in third party professionally managed funds The level of contributions made to the schemes and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries Both these schemes are now closed to new members

The scheme assets are an estimate of the company s notional share of the total fund assets measured at market value at each balance sheet date and liabilities are measured using the projected unit method discounted using a corporate bond rate The company s notional share of assets is assumed to be invested in the same proportion as the fund as a whole in the different asset classes The resulting pension scheme surplus or deficit is recognised immediately on the balance sheet net of deferred tax where applicable and any resulting actuarial gains or losses are recognised immediately in the statement of total recognised gains and losses Further details are given in note 19

The group also has a money purchase pension scheme for new employees Pension costs charged to the profit and loss account represent the contributions payable by the group to the pension scheme during the year

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

1 ACCOUNTING POLICIES (continued)

Derivative financial instruments

The company is exposed to price risk arising from fluctuations in oil prices and the company enters into energy hedges to fix the price of fuel In the opinion of the Board of directors there is no material exposure to price risk The company does not hold derivatives for speculative purposes

2 ANALYSIS OF TURNOVER, (LOSS)/PROFIT BEFORE TAXATION

The turnover and (loss)/profit before taxation is considered by the directors to arise from a single class of activity wholly within the United Kingdom

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2012 £'000	2011 £'000
Directors' emoluments		
Remuneration	310	281
Pension contributions	33	29
	343	310
	No	No.
Number of directors who are members of a defined benefit pension scheme	2	2
	£'000	£'000
In respect of the highest paid director		
Emoluments	112	104
Pension contributions	15	14

There is no accrued pension entitlement in respect of the highest paid director

	£'000	£'000
Employee costs during the year		
Wages and salaries	18 065	17 609
Social security costs	1 409	1 320
Other pension costs	1 699	1 721
	21 173	20 650
	No	No
Average number of persons employed		
Staff	82	80
Traffic	541	555
Engineering	78	85
	701	720

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

4 OTHER OPERATING INCOME

	2012 £'000	2011 £'000
Advertising	161	125
Rental income	23	22
Workshop and garage	-	70
Other	73	86
	257	303

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £'000	2011 £'000
Bank deposit interest	17	33
Net return on pension scheme	549	339
	566	372

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £'000	2011 £'000
Finance lease interest	165	230

7 OPERATING (LOSS)/PROFIT

	2012 £'000	2011 £'000
Operating (loss)/profit is arrived at after charging/(crediting)		
Exceptional costs – legal fees	1,976	-
Impairment of fixed asset	485	-
Depreciation of owned assets	1 334	1 646
Depreciation of assets held under finance lease	822	924
Profit on sale of fixed assets	(15)	(4)
Operating lease rentals – other	76	66
Write-back of insurance provision	(283)	(196)
Fees payable to the Company's auditors in respect of		
- Audit of the annual accounts	18	18
- Taxation compliance services	12	9
- Taxation advisory services	4	-

As noted in the Directors Report, the company has been involved in a legal dispute with 2 Travel Group Plc (in liquidation) which resulted in £1 976 000 of legal costs being incurred during the year in order to defend the case in front of the Competition Appeal Tribunal the hearing of which was held in March 2012 These are deemed by the Board to be exceptional in nature

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

8 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
Current taxation		
United Kingdom corporation tax		
Current tax on income for the year at 26% (2011 – 28%)	203	(249)
Adjustment in respect of prior years	-	78
Total current tax	203	(171)
Deferred taxation		
Origination and reversal of timing differences	161	(48)
Deferred tax on pension deficit	(393)	(351)
Adjustment in respect of prior years	(13)	22
Effect of changes in tax rates	(34)	-
	(211)	(377)
Total tax charge on (loss)/profit on ordinary activities	(8)	(548)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows

	£'000	£'000
(Loss)/profit on ordinary activities before tax	(366)	1 121
Tax on (loss)/profit on ordinary activities before tax at 26% (2011 – 28%)	95	(314)
Factors affecting charge for the year		
Expenses not deductible for tax purposes	(274)	(459)
Capital allowances for the year in excess of depreciation	92	341
Movement in short-term timing differences	(123)	(120)
FRS17 pensions	340	289
Withdrawal of IBA allowances	-	4
Adjustment in respect of prior years	204	78
Loss carry back	(131)	
Marginal relief	-	10
Current tax credit/(charge) for the year	203	(171)

Deferred tax has not been provided on the revaluation of fixed assets This tax will only become payable if the assets are sold and rollover relief is not obtained The estimated amount of tax that would become payable in these circumstances is £914 000 (2011 - £855 000)

The reduction in corporation tax rate to 23% from 1 April 2013 will not materially affect the future tax charge

9 DIVIDENDS

	2012 £'000	2011 £'000
Dividends paid 9 7 pence per share (2011 – 8 0 pence per share)	450	370

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

10 PROFIT OF PARENT COMPANY

As permitted by section 408 of the Companies Act 2006 the profit and loss account of the parent company is not presented as part of these financial statements The parent company s loss for the financial year amounted to £374 000 (2011 – profit of £573 000)

11 TANGIBLE FIXED ASSETS

The Group and the Company	Freehold land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Conventional buses and motor vehicles £'000	Midibuses £'000	Total £'000
Cost or valuation					
At 1 April 2011	6 064	5 426	21 136	7 308	39 934
Additions	-	579	348	173	1 100
Disposals	-	-	(103)	-	(103)
At 31 March 2012	6 064	6 005	21 381	7 481	40 931
Depreciation					
At 1 April 2011	464	2 762	11,175	6 279	20 680
Charge for the year	269	393	1,178	316	2 156
Impairment	485	-	-	-	485
Reversal on revaluation	(704)	-	-	-	(704)
Disposals	-	-	(103)	-	(103)
At 31 March 2012	514	3 155	12,250	6 595	22 514
Net book value					
At 31 March 2012	5,550	2 850	9,131	886	18 417
At 31 March 2011	5 600	2 664	9 961	1 029	19 254

Comparable amounts determined according to the historical cost convention

The Group and the Company	Freehold land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Conventional buses and motor vehicles £'000	Midibuses £'000	Total £'000
Cost	3 910	6 005	21 381	7 481	38 777
Accumulated depreciation	(2 169)	(3 155)	(12 250)	(6 595)	(24 169)
Net book value					
At 31 March 2012	1 741	2 850	9,131	886	14 608
At 31 March 2011	2 314	2 664	9 961	1 029	15 968

Included under conventional buses and midibuses are assets with a net book value at 31 March 2012 of £6,067 679 (2011 - £6 731 182) held under finance lease

At 31 March 2012 the freehold land and buildings were valued at £5 550 000 by DTZ Debenham Tie Leung chartered surveyors The bus depot was valued based on depreciated replacement cost as it is considered a specialised property The other site was valued at open market value

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

12 INVESTMENTS

Subsidiary undertaking	The Company 2012 £'000	2011 £'000
Cost and net book value		
Shares in subsidiary undertaking	1	1

The company's only wholly-owned dormant subsidiary, Vale Busline Limited is registered in England and Wales

In addition the company owns 180 £1 ordinary shares in PTI Cymru Limited a company incorporated in England and Wales This represents an 18% holding in that company Its principal activity is the operation of a call centre for Wales providing passenger information

13 STOCKS

	The Group and the Company 2012 £'000	2011 £'000
Raw materials and consumables	114	109
Derv fuel stocks	186	174
	300	283

14 DEBTORS

	The Group and the Company 2012 £'000	2011 £'000
Trade debtors	407	521
Amounts owed by group undertakings	217	165
Other debtors	413	267
Corporation tax	143	-
Prepayments	51	35
	1 231	988

15 CASH AT BANK AND IN HAND AND BANK DEPOSIT INVESTMENTS

Bank deposit investments includes £2 584 962 (2011 - £2 418 937) held in an escrow account against future insured liabilities £2 591 089 (2011 - £2 923 096) is held in money market accounts that are not instant access

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

16 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Trade creditors	1 390	1 390	1 432	1 432
Amounts owed to group undertakings	59	60	36	37
Obligations under finance lease	1 344	1 344	1 279	1 279
Corporation tax	-	-	253	253
Other creditors including taxation and social security	484	484	389	389
Accruals and deferred income	2 366	2 366	1 462	1 462
	5 643	5 644	4 851	4 852

17 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group and the Company 2012 £'000	2011 £'000
Obligations under finance lease	1 081	2 425

	£'000	£'000
Analysis of finance lease repayments		
Due within one year	1 344	1 279
Due between one and two years	925	1 344
Due between two and five years	156	1 081
	2 425	3 704

The obligations under finance lease are secured by the related leased assets

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

18 PROVISIONS FOR LIABILITIES

The Group and the Company

	2012 £'000	2011 £'000
Deferred taxation	404	585
Insurance provision	3 042	2 732
	3 446	3 317

	Balance at 1 April 2011 £'000	Charge to profit and loss account £'000	Balance at 31 March 2012 £'000
Deferred taxation	585	(181)	404

The analysis of the deferred taxation provided in the financial statements is as follows

	2012 £'000	2011 £'000
Capital allowances in excess of depreciation	697	699
Other timing differences	(293)	(114)
	404	585

Insurance provision

The provision for insurance claims represents amounts payable by the company in respect of outstanding claims incurred at the balance sheet date The amounts will become payable as claims are settled

	Balance at 1 April 2011 £'000	Charged to profit and loss account £'000	Release to profit and loss £'000	Amounts paid £'000	Balance at 31 March 2012 £'000
Insurance provision	2 732	1 978	(283)	(1 385)	3 042

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

19 PENSIONS

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City Council Transport Department Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company Company contributions are determined by a qualified actuary on the basis of triennial valuations Since 1 August 2001 the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members and a money purchase scheme has been introduced The total costs charged in the profit and loss account for the money purchase scheme of £558 000 (2011 - £521 000) represents contributions payable during the year At 31 March 2012 contributions of £76 000 (2011 - £60,000) due in respect of the current reporting period had not been paid over to the scheme

Cardiff City Transport Services Limited Pension Scheme

The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2)(a) of the Pensions Act 2004 was carried out as at 1 April 2009 For the purpose of the valuation of the defined benefit section it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 2 5% per annum higher than the rate of future annual wage and salary growth and 3 5% per annum higher than the rate of future price inflation The investment return for pension liabilities once in payment was assumed to be 2 5% higher than the rate of future price inflation

The valuation showed that the total market value of the scheme s assets net of members AVCs was £16 4m and that this value represented 66% of the value of the benefits that had accrued to members at the valuation date after allowing for expected future increases in earnings and pensions

The basic rate of company contributions required to meet the cost of defined benefits without allowance for any recovery of deficit was found to be 15 1% of members pensionable pay from 1 April 2011 Employee contributions were payable in addition For the majority of defined benefit section members contributions were required at the rate of 5% of pensionable pay (a small number contribute at the lower rate of 4%)

Company and employee contributions for members of the defined contribution section are payable in accordance with the scheme rules

An actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2012 by a qualified independent actuary The major assumptions used by the actuary were

	At 31 March 2012	At 31 March 2011	At 31 March 2010
Rate of increase in salaries	3 9% per annum	4 2% per annum	4 2% per annum
Discount rate	4 9% per annum	5 6% per annum	5 7% per annum
Inflation assumption (RPI)	2 9% per annum	3 2% per annum	3 2% per annum
Pension increases	2 3% per annum	2 8% per annum	3 0% per annum
Inflation assumption (CPI)	2 3% per annum	2 8% per annum	n/a

Mortality assumption

The mortality assumptions are based on the PA92 mortality tables which allow for future mortality improvements The assumptions are that a member aged 65 at the valuation date will live on average for a further 22 1 years if they are male and for a further 25 2 years if they are female For a member who is 45 at the valuation date and retires at age 65 the assumptions are that they will live on average for a further 23 1 years after retirement if they are male and for a further 26 1 years after retirement if they are female

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

19 PENSIONS (continued)

The assets in the fund and expected rates of return were

	2012		2011		2010	
	Long-term expected return on assets	Fair value £'000	Long-term expected return on assets	Fair value £'000	Long-term expected return on assets	Fair value £'000
Equities	7 0%	9 197	8 0%	12 470	8 0% pa	16 337
Diversified growth	6 8%	8 217	7 8%	5 997	N/a	-
Convertible bonds	6 5%	7 614	7 5%	5 260	N/a	-
Bonds	N/a	-	N/a	-	5 0% pa	4 025
Cash	2 0%	100	2 0%	71	2 0% pa	1 049
		25 128		23 798		21 411

The net pension liability measured under FRS17 comprised the following

	At 31 March 2012 £'000	At 31 March 2011 £'000	At 31 March 2010 £'000
Total market value of assets	25 128	23 798	21 411
Present value of scheme liabilities	(25 239)	(24 719)	(23 724)
Net FRS17 scheme deficit	(111)	(921)	(2 313)

	At 31 March 2012 £'000	At 31 March 2011 £'000	At 31 March 2010 £'000
Analysis of amount charged to operating (loss)/profit			
Current service cost and total operating charge	(709)	(760)	(491)
Analysis of amount credited/(charged) to interest receivable/(payable)			
Expected return on pension scheme assets	1,873	1 689	1 160
Interest on pension scheme liabilities	(1 384)	(1 360)	(1 161)
Net finance income/(charge)	489	329	(1)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

19 PENSIONS (continued)

Analysis of amount recognised in statement of total recognised gains and losses

	At 31 March 2012 £'000	At 31 March 2011 £'000	At 31 March 2010 £'000
Actual return less expected return on pension assets	(826)	211	4 245
Changes in financial assumptions underlying the scheme assets/(liabilities)	867	630	(5 022)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	41	841	(777)
Movements in scheme deficit during the year			
At 1 April	(921)	(2 313)	(3 127)
Movement in year			
Total operating charge – current service charge	(709)	(760)	(491)
Contributions	989	982	2 086
Net finance income/(charge)	489	329	(1)
Actuarial gain/(loss) in statement of total recognised gains and losses	41	841	(777)
At 31 March	(111)	(921)	(2 313)

Cardiff and Vale of Glamorgan Pension Fund

Cardiff Bus also participates in the Local Government Pension Scheme which is a defined benefit scheme based on final pensionable salary

The latest complete minimum funding requirement valuation of the Cardiff and Vale of Glamorgan Pension Fund was made as at 31 March 2010

The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will be 22 3% of pensionable pay from 1 April 2011 continuing into 2013/14 In addition to this rate Cardiff City Transport Services Limited is required to pay £521 000 per annum

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

19 PENSIONS (continued)

The most recent completed valuation was carried out as at 31 March 2010 and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2012 Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value

The company s contribution rate over the accounting period was 22 3% of pensionable pay plus a monetary amount of £521 000 The contribution rates certified for the company at the 31 March 2010 valuation are as follows

April 2011 to March 2014 22 3% of pensionable pay plus £521 000

These figures include the past service element of the contribution rate

The scheme is now closed to the company s employees and the company s condition of continued participation is to pay contributions as required

The main assumptions used for the purposes of FRS17 are as follows

	At 31 March 2012	At 31 March 2011	At 31 March 2010
Rate of increase in salaries	3 9%	4 2%	4 1% pa
Discount rate	4 9%	5 6%	5 7% pa
Rate of increase to pensions in payment	2 3%	2 8%	2 9% pa
Rate of increase to deferred pensions	2 3%	2 8%	3 1% pa
Rate of inflation (RPI)	2 9%	3 2%	3 1% pa
Rate of inflation (CPI)	2 3%	2 8%	n/a

Mortality assumption

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements The assumptions are that a member currently aged 65 will live on average for a further 22 2 years if they are male and for a further 25 3 years if they are female For a member who is currently 45 and retires at age 65 the assumptions are that they will live on average for a further 23 2 years after retirement if they are male and for a further 26 1 years after retirement if they are female

The assets in the fund and expected rates of return were

	2012		2011		2010	
	Long-term expected return on assets	Fair value £'000	Long-term expected return on assets	Fair value £'000	Long-term expected return on assets	Fair value £'000
Equities	8 1%	15 264	8 4% pa	15 829	8 0% pa	14 421
Government bonds	3 1%	1 630	4 4% pa	1 038	5 0% pa	961
Corporate bonds	3 7%	1 863	5 1% pa	2 373	5 0% pa	2 453
Property	7 6%	1 334	7 9% pa	890	8 0% pa	804
Cash	1 8%	275	1 5% pa	233	2 0% pa	177
Other assets	8 1%	804	8 4% pa	827	8 0% pa	804
		21 170		21 190		19 620

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

19 **PENSIONS (continued)**

The net pension liability measured under FRS17 comprised the following

	At 31 March 2012 £'000	At 31 March 2011 £'000	At 31 March 2010 £'000
Total market value share of assets	21 170	21 190	19 620
Present value of scheme liabilities	(29 410)	(28 110)	(25 540)
Net FRS17 scheme deficit	(8 240)	(6 920)	(5 920)

	At 31 March 2012 £'000	At 31 March 2011 £'000	At 31 March 2010 £'000
Analysis of amount charged to operating (loss)/profit			
Current service cost	(420)	(430)	(360)
Total operating charge	(420)	(430)	(360)
Analysis of amount credited/(charged) to interest receivable/(payable)			
Expected return on pension scheme assets	1 610	1 450	920
Interest on pension scheme liabilities	(1 550)	(1 440)	(1 410)
Net finance income/(charge)	60	10	(490)
Analysis of amount recognised in statement of total recognised gains and losses			
Actual return less expected return on pension (liabilities)/assets	(1 140)	240	3 980
Changes in financial assumptions underlying the scheme liabilities	(720)	(1 720)	(3 280)
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(1 860)	(1 480)	700
Movements in scheme deficit during the year			
At 1 April	(6 920)	(5 920)	(6 700)
Movement in year			
Total operating charge	(420)	(430)	(360)
Contributions	900	900	930
Net finance income/(charge)	60	10	(490)
Actuarial (loss)/gain in statement of total recognised gains and losses	(1 860)	(1 480)	700
At 31 March	(8 240)	(6 920)	(5 920)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

19 PENSIONS (continued)

The total net pension liability measured under FRS17 for both schemes is as follows

The Group and the Company	2012 £'000	2011 £'000
Cardiff City Transport Scheme	111	921
Cardiff and Vale of Glamorgan Pension Fund	8 240	6 920
Deferred tax asset	(2 004)	(2 040)
Total	6 347	5 801

20 CALLED UP SHARE CAPITAL

The Group and the Company	2012 £'000	2011 £'000
Allotted, called up and fully paid		
4 618 100 ordinary shares of £1 each	4 618	4 618

21 COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

The Group and the Company	Issued share capital £'000	Revaluation reserve £'000	FRS17 pension reserve £'000	Profit and loss account £'000	Total 2012 £'000	Total 2011 £'000
At the beginning of the year	4 618	3 286	(5,801)	7,047	9 150	9 504
(Loss)/profit for the financial year	-	-	-	(374)	(374)	573
Actuarial loss (net of deferred tax asset)	-	-	(1 461)	-	(1 461)	(557)
Net pension costs recognised in the profit and loss account	-	-	915	(915)	-	-
Transfer of additional depreciation on residual asset	-	(183)	-	183	-	-
Revaluation uplift	-	704	-	-	704	-
Dividends	-	-	-	(450)	(450)	(370)
At the end of the year	4 618	3 807	(6 347)	5 491	7 569	9 150

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

22 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £'000	2011 £'000
Operating (loss)/profit	(767)	979
Depreciation	2 156	2 570
Impairment of fixed assets	485	-
(Increase)/decrease in stocks	(17)	24
Increase in debtors	(100)	(12)
Increase/(decrease) in creditors	1 292	(592)
Adjustment for pension funding	(760)	(693)
Profit on sale of fixed assets	(15)	(4)
Net cash inflow from operating activities	2 274	2 272

23 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2012 £'000	2011 £'000
Management of liquid resources		
Cash placed on short-term deposit	2 591	2 923

24 ANALYSIS OF NET FUNDS

	At 1 April 2011 £'000	Cash flow £'000	At 31 March 2012 £'000
Cash at bank and in hand	2,096	(549)	1,547
Current asset investment	2 923	(332)	2 591
	5 019	(881)	4 138
Finance leases	(3 704)	1 279	(2 425)
	1,315	398	1 713

25 CAPITAL COMMITMENTS

Operating lease commitments

	2012 Land and buildings £'000	2011 Land and buildings £'000
Annual commitments which expire		
Within one year	-	66
Between two and five years	76	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2012

26 DERIVATIVE FINANCIAL INSTRUMENTS

The company previously entered into energy hedges to fix the price of fuel At 31 March 2012 the company had no open contracts to buy fuel

At 31 March 2011, the company was contracted to buy 2 400 metric tonnes of fuel at £527 50 per tonne until August 2011 As at 31 March 2011 the fair value was considered to be a liability of £257 616

27 RELATED PARTY TRANSACTIONS

During the year the group received £10 879 020 (2011 - £10 697 112) from Cardiff City Council (£9 594 711 of which was received under the WAG Across Wales Over 60 Free Travel scheme 2011 - £9 023 494) and incurred trading expenses of £165 335 (2011 - £130 621) At 31 March 2012 there was a balance of £217 142 (2011 – £165 222) owed by Cardiff City Council and a balance of £58 854 (2011 - £34,486) owed to Cardiff City Council

During the year the group received £12 754 (2011 - £13 299) from PTI Cymru Limited for the rent of a call centre in Cardiff and in turn was charged £16 873 (2011 - £16 674) in respect of calls handled At 31 March 2012 there was a net balance of £1 402 (2011 - £1 970) owed by Cardiff City Transport Services Limited to PTI Cymru Limited

28 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Cardiff City Council