Company Registration No. 02001229

CARDIFF CITY TRANSPORT SERVICES LIMITED

Annual Report and Financial Statements

Year ended 31 March 2017

CARDIFF CITY TRANSPORT SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

CONTENTS

CARDIFF CITY TRANSPORT SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R A Davies		
S Gardner	(non-executive)	
G M V Hill-John	(non-executive)	(appointed 2 June 2017)
C N Lay	(non-executive)	(appointed 2 June 2017)
G A Mole		
C Ogbonna		
R C Patel	(non-executive)	(appointed 2 June 2017)
A Robson	(non-executive)	
E C Sandrey	(non-executive)	(appointed 2 June 2017)
E A Simmons	(non-executive)	
E J Stubbs	(non-executive)	(appointed 2 June 2017)

COMPANY SECRETARY

D James

REGISTERED NUMBER

02001229

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

Capital Law
Capital Building
Tyndall Street
Cardiff
CF10 4AZ

AUDITOR

Deloitte LLP
Statutory Auditor
Cardiff
United Kingdom

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The principal activity of the company and the group is to provide road passenger transport services in Cardiff. The company holds 100% of the share capital of Vale Busline Limited as at the balance sheet date.

BUSINESS REVIEW

The company was established in accordance with the Transport Act 1985, regulating transport undertakings wholly-owned by municipal authorities. The City of Cardiff Council is the only shareholder of Cardiff City Transport Services Limited ("the Company").

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

As shown in the group's consolidated income statement on page 10, the group's revenue increased by 3.1% to £31,598,000 (2016: £30,643,000). Gross profit reduced to £1,102,000 (2016: £1,317,000), showing a reduction in margin to 3.5% (2016: 4.3%). The impact of the increase in revenue on the gross profit was partially offset through an increase in pay awards.

After an independent review by the company's insurers, the directors have released £1,097,000 (2016: £1,269,000) 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.

The consolidated operating profit for the current year was £575,000 (2016: £665,000). The operating profit for the year before the insurance release was in line with management's expectations for the year. Profit after taxation was £229,000 (2016: £293,000).

The consolidated balance sheet on page 12 of the financial statements shows that the group has net assets of £11,100,000 (2016: £12,036,000).

Details of amounts owed to The City of Cardiff Council, the only shareholder, are shown in note 30 to the financial statements.

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.

KEY PERFORMANCE INDICATORS

The directors use the following key performance indicators (KPIs) when monitoring the performance of the company and group:

Category	Description	2017 Actual	2016 Actual
Financial	Revenue (Group)	£31.598m	£30.643m
Financial	Gross profit (Group)	3.5%	4.3%
Financial	Capital investment (Group)	£1.743m	£4.209m
Non-financial	Reliability (Company)	99.43%	99.60%
Non-financial	Cleanliness of vehicle (Company)	90.58%	96.08%
Non-financial	MoT first-time pass rate (Company)	98.11%	100.00%

There has been a capital investment in 2017 of £1.7m (2016: £4.2m).

In 2018 the company will look to invest in line with its business plan. The company also monitors other internal non-financial performance measures to manage the business.

STRATEGIC REPORT (continued)

FUTURE PROSPECTS

Any future cuts to funding by the Welsh Government on concessionary travel will have a financial impact on the company over time. The level of funding is under continuous review and the directors, as part of the Confederation of Passenger Transport, are discussing the level of ongoing funding with the Welsh Government.

The capital developments at Central Square which led to the closure of the Cardiff City bus station affected the operational performance of the company during 2017 and will continue to impact the business over the coming years. In the short term, provisions have been put in place for alternative pick-up locations and parking for the buses. It is expected that a new bus station will be built for the city over the medium term. The current developments will have a potential impact on reliability, punctuality, passenger growth and overall profitability.

The company will look to continue investing in the forthcoming year to maintain a reasonable average age of fleet as well as increasing the number of lower emission vehicles. The company will continue to seek additional transport work, such as event park and rides and rail replacement work, and also to promote the availability of e-ticketing. The company remains committed to its core value of providing reliable, safe, high quality and affordable public transport to the citizens of and visitors to Cardiff as well as seeking more efficient vehicles and to provide bus services to low-volume areas of the city.

PRINCIPAL RISKS AND UNCERTAINTIES

The group's and the company's operations are exposed to a variety of financial and operational risks which could have a material impact on the company's long-term performance.

At the year-end the group's key risks were considered to be as set out below:

Fuel prices

The company, like most other bus operators, is exposed to global fluctuations in fuel prices. The company continues to use fixed price fuel contracts to lessen the impact on its operations of large movements in fuel prices.

Welsh Government funding

The Welsh Government's funding of public transport is considered a risk. The directors of the group are aware of this potential risk and are working with the local transport consortiums to manage this risk and are looking to continue and increase the fare box segment of its total revenue.

Pension scheme

The group and the company operate two defined benefit pension schemes which have a deficit of £3,821,000 (2016: £2,791,000). Management mitigates the risk associated with the pension schemes through working closely with the scheme Trustees to agree a schedule of contributions into the scheme to reduce the deficit and minimise future exposure.

Credit risk

The group's principal financial assets are bank balances and cash, and trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables and cash at bank. The trade receivables presented in the balance sheet are net of allowances for doubtful debts and an allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liquidity risks

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of cash at bank, a secured overdraft and lease finance. See going concern section in the directors' report for further detail.

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

C Ogbonna
Director

Date: 23 November 2017

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

Under section 414C(11) of the Companies Act, the directors may include in the strategic report such matters otherwise required by regulations made under section 416(4) to be disclosed in the directors' report, as the directors consider these to be of strategic importance to the company. Subsequently, details of future prospects and events in the business of the company, the principal risks and uncertainties and financial risk management objectives and policies are included in the strategic report on pages 2 to 4 and form part of this report by cross-reference.

PARENT COMPANY

In the opinion of the directors, the group's ultimate parent company and ultimate controlling party is The City of Cardiff Council.

RESULTS AND DIVIDENDS

The group's profit after taxation for the financial year amounted to £229,000 (2016: £293,000). The directors have paid a dividend of £nil in respect of the prior year (2016: £250,000).

The group did not make any political donations during the financial year (2016: £nil).

SUBSEQUENT EVENTS

There are no subsequent events.

GOING CONCERN

At 31 March 2017, the group had cash of £701,000 (2016: £2,405,000) and the company had cash of £560,000 (2016: £2,405,000); the group had net assets of £11,100,000 (2016: £12,036,000) and the company had net assets of £11,421,000 (2016: £12,036,000). The group and the company are funded through cash at bank and in hand.

The executive directors have considered the group's and company's forecast and budgeted profit and associated cash flows for the foreseeable future. Taking account of reasonably possible changes in trading performance, the directors have considered the facilities available to the group and the company and believe that they can operate within the facilities available for the foreseeable future. An overdraft facility has been arranged with the company's bank to cover the period to 30 June 2018 to cover a period of reorganisation. Accordingly, the directors consider it is appropriate to adopt the going concern basis in the preparation of the company's financial statements.

DIRECTORS

The directors of the company, who served throughout the financial year and subsequently unless otherwise stated, are set out on page 1. J C Lomax passed away on 16 September 2016. The Board of Directors thanks J C Lomax for his contribution during his tenure as a director of the company. S A White resigned as a director on 2 December 2016, B Thomas, G Aubrey and G Hunt on 25 May 2017. G M Hill-John, E J Stubbs, R C Patel, E C Sandrey and C N Lay were appointed as directors on 2 June 2017.

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report in the form of an insurance policy with ACE European Group.

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.

DIRECTORS' REPORT (continued)

EMPLOYEE CONSULTATION

The company employs 681 people (over 80% of whom are bus drivers) and the group 711 people. 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 strategic forum with trade union partners, a company intranet site, periodic updates and through digital communications. The company holds a biennial award ceremony to celebrate employee achievements and contributions in addition to working to improve the wellbeing and talents of all its employees. Investment in ticket machines has also enhanced digital communication with driving staff who are predominantly mobile.

AUDITOR

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

- so far as each of the directors are 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 has expressed its willingness to continue in office as auditor and a resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

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

D James
Company Secretary

Date: 23 November 2017

Registered office: Leckwith Depot and Offices, Sloper Road, Leckwith, Cardiff CF11 8TB

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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework''. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's and the group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group 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 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 31. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 of the parent company's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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

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.

Delyth Jones

Delyth Jones (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom

23 November 2017

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Revenue	4	31,598	30,643
Cost of sales		(30,496)	(29,326)
GROSS PROFIT		1,102	1,317
Other operating income	4	399	335
Administrative expenses		(926)	(987)
OPERATING PROFIT		575	665
Investment revenue	10	10	13
Finance costs	11	(264)	(320)
PROFIT BEFORE TAX		321	358
Tax	12	(92)	(65)
PROFIT FOR THE YEAR	6	229	293

All amounts derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Profit for the year		229	293
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain recognised in the pension scheme	23	(1,487)	1,559
UK deferred tax attributable to actuarial gains and losses	12	283	(309)
Other comprehensive income for the year		(1,204)	1,250
Total comprehensive income for the year		(975)	1,543

CONSOLIDATED BALANCE SHEET
As at 31 March 2017

	Note	2017 £'000	2016 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	21,116	21,747
Deferred tax	22	856	675
		21,972	22,422
CURRENT ASSETS			
Inventories	16	291	259
Trade and other receivables	17	1,205	766
Investments	18	2,859	2,603
Cash and bank balances		701	2,405
		5,056	6,033
TOTAL ASSETS		27,028	28,455
CURRENT LIABILITIES			
Trade and other payables	19	(2,377)	(2,413)
Corporation tax	12	(66)	(65)
Obligations under finance leases	20	(1,465)	(1,238)
Borrowings	19	-	(1,000)
Provisions	21	(915)	(1,070)
		(4,823)	(5,786)
NET CURRENT ASSETS		233	247
NON-CURRENT LIABILITIES			
Obligations under finance leases	20	(4,998)	(5,252)
Provisions	21	(1,117)	(1,308)
Deferred tax	22	(1,169)	(1,282)
Pensions	23	(3,821)	(2,791)
		(11,105)	(10,633)
TOTAL LIABILITIES		(15,928)	(16,419)
NET ASSETS		11,100	12,036
EQUITY			
Share capital	24	4,618	4,618
Revaluation reserve	25	3,163	3,142
Retained earnings	26	3,319	4,276
TOTAL EQUITY		**11,100**	**12,036**

The financial statements of Cardiff City Transport Services Limited, registered number 02001229, were approved by the Board of Directors and authorised for issue on 23 November 2017

Signed on behalf of the Board of Directors

C Ogbonna, Director

E J Stubbs, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 March 2017

	Share capital £'000 Note 24	Re-valuation reserve £'000 Note 25	Retained earnings £'000 Note 26	Total £'000
Balance at 1 April 2015	4,618	3,159	2,966	10,743
Profit for the year	-	-	293	293
Other comprehensive income for the year	-	-	1,250	1,250
Transfer between reserves on revaluation of property	-	(22)	22	-
Deferred tax on transfer between reserves on revaluation of property	-	5	(5)	-
Total comprehensive income for the year	-	(17)	1,560	1,543
Dividends	-	-	(250)	(250)
Balance at 31 March 2016	4,618	3,142	4,276	12,036
Profit for the year	-	-	229	229
Other comprehensive loss for the year	-	-	(1,204)	(1,204)
Transfer between reserves on revaluation of property	-	(22)	22	-
Deferred tax on transfer between reserves on revaluation of property	-	4	(4)	-
Deferred tax due to tax rate change	-	39	-	39
Total comprehensive income/(loss) for the year	-	21	(957)	(936)
Balance at 31 March 2017	4,618	3,163	3,319	11,100

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
NET CASH FROM OPERATING ACTIVITIES	27	1,493	2,353
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(314)	(420)
Disposal of property, plant and equipment		83	11
NET CASH USED IN INVESTING ACTIVITIES		(231)	(409)
FINANCING ACTIVITIES			
Interest payable		(254)	(682)
Capital repayment of finance leases		(1,456)	(1,312)
Dividend paid (Debenture only 2017)		(1,000)	(250)
NET CASH USED IN FINANCING ACTIVITIES		(2,710)	(2,244)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,448)	(300)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,008	5,308
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	3,560	5,008

COMPANY BALANCE SHEET
As at 31 March 2017

	Note	2017 £'000	2016 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	21,048	21,747
Investments	15	1	1
Deferred tax	22	856	675
		21,905	22,423
CURRENT ASSETS			
Inventories	16	291	259
Trade and other receivables	17	1,727	766
Investments	18	2,859	2,603
Cash and bank balances	18	560	2,405
		5,437	6,033
TOTAL ASSETS		27,342	28,456
CURRENT LIABILITIES			
Trade and other payables	19	(2,370)	(2,414)
Corporation tax	12	(66)	(65)
Obligations under finance leases	20	(1,465)	(1,238)
Borrowings	19	-	(1,000)
Provisions	21	(915)	(1,070)
		(4,816)	(5,787)
NET CURRENT ASSETS		621	246
NON-CURRENT LIABILITIES			
Obligations under finance leases	20	(4,998)	(5,252)
Provisions	21	(1,117)	(1,308)
Deferred tax	22	(1,169)	(1,282)
Pensions	23	(3,821)	(2,791)
		(11,105)	(10,633)
TOTAL LIABILITIES		(15,921)	(16,420)
NET ASSETS		11,421	12,036
EQUITY			
Share capital	24	4,618	4,618
Revaluation reserve	25	3,163	3,142
Retained earnings	26	3,640	4,276
TOTAL EQUITY		11,421	12,036

The Company reported a profit for the financial year ended 31 March 2017 of £550,000 (2016: £293,000).

The financial statements of Cardiff City Transport Services Limited, registered number 02001229, were approved by the Board of Directors and authorised for issue on 23 November 2017

Signed on behalf of the Board of Directors

C Ogbonna, Director

E J Stubbs, Director

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 31 March 2017

	Share capital £'000 Note 24	Re-valuation reserve £'000 Note 25	Retained earnings £'000 Note 26	Total £'000
Balance at 1 April 2015	4,618	3,159	2,966	10,743
Profit for the year	-	-	293	293
Other comprehensive income for the year	-	-	1,250	1,250
Transfer between reserves on revaluation of property	-	(22)	22	-
Deferred tax on transfer between reserves on revaluation of property	-	5	(5)	-
Total comprehensive income for the year	-	(17)	1,560	1,543
Dividends	-	-	(250)	(250)
Balance at 31 March 2016	4,618	3,142	4,276	12,036
Profit for the year	-	-	550	550
Other comprehensive loss for the year	-	-	(1,204)	(1,204)
Transfer between reserves on revaluation of property	-	(22)	22	-
Deferred tax on transfer between reserves on revaluation of property	-	4	(4)	-
Deferred tax due to tax rate change	-	39	-	39
Total comprehensive income/(loss) for the year	-	21	(636)	(615)
Balance at 31 March 2017	4,618	3,163	3,640	11,421

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. GENERAL INFORMATION

Cardiff City Transport Services Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The company is a private company limited by shares and is registered in Wales. The principal activities of the company and its subsidiary (the group) and the nature of the group's operations are set out in note 4 and in the strategic report on pages 2 to 4.

These financial statements are presented in pounds sterling because that is the currency of the economic environment in which the group operates.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

The financial statements have been prepared on the historical cost basis, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis except for some measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in their entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset and liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Adoption of new and revised standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year (continued)

Amendments to IAS 1 Disclosure Initiative

The Group has adopted the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

The amendments also address the structure of the financial statements by providing examples of systematic ordering or grouping of the notes.

The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the group.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 16 will impact the disclosure of assets held under operating leases and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of the new IFRSs until a detailed review has been completed.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and the entities controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved when the company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When the company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size of the dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the company and to the non-controlling interests even if the results in the non-controlling interests have a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the company.

When the group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

Going concern

At 31 March 2017, the group had cash of £701,000 (2016: £2,405,000) and the company had cash of £560,000 (2016: £2,405,000); the group had net assets of £11,100,000 (2016: £12,036,000) and the company had net assets of £11,421,000 (2016: £12,036,000). The group and the company are funded through cash at bank and in hand. Cardiff City Transport Services Limited's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report on pages 2 to 4 also describes the financial position of the group; its cash flows and liquidity position; the group's objectives, policies and processes for managing its capital; and its exposure to credit risk and liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

The executive directors have considered the group's and company's forecast and budgeted profit and associated cash flows for the foreseeable future. Taking account of reasonably possible changes in trading performance, the directors have considered the facilities available to the group and the company and believe that they can operate within the facilities available for the foreseeable future. An overdraft facility has been arranged with the company's bank to cover the period to 30 June 2018 to cover a period of re-organisation. Accordingly, the directors consider it is appropriate to adopt the going concern basis in the preparation of the company's financial statements.

Revenue recognition

Rendering of services

Revenue is measured at the fair value of the consideration received or receivable and is 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.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Operating profit

Operating profit is stated before investment income and finance costs.

Inventory

Inventory is stated at the lower of cost and net realisable value.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The group as lessee (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefit costs

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Re-measurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- re-measurement.

The Group presents the first two components of defined benefit costs within cost of sales and administrative expenses in its consolidated income statement. Curtailment gains and losses are accounted for as past-service cost.

Net-interest expense or income is recognised within finance costs.

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

The group operates two defined benefit funded pension schemes. For both schemes, the assets 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 group has a money purchase pension scheme for new employees. Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant & equipment and depreciation

Land and buildings have been re-measured to their fair value at the date of transition to IFRSs. The land and buildings were previously stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value became the 'deemed cost' going forward under the IFRS cost model. Deemed cost is an amount used as a surrogate for cost at the date of transition, i.e. 1 April 2014. The fair value gain at the date of transition is £82,000 and has been recognised within a revaluation reserve at the date of transition. The fair value gain has resulted in an additional depreciation expense of £22,000 being expensed within cost of sales in 2016. The company has elected to unwind the revaluation reserve in line with the excess depreciation, which has resulted in a transfer between the revaluation reserve and retained earnings of £22,000 in 2017.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant & equipment and depreciation (continued)

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

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. For all other property, plant and equipment, conventional buses and motor vehicles, 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 to 15 years on cost
Buses and motor vehicles	5 years on cost or 12 years on cost less 10% residual value

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

On the subsequent sale or scrappage of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings.

Impairment of tangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in profit or loss.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Basis of accounting for the parent company

The separate financial statements of the company are presented as required by the Companies Act 2006. Accordingly, the financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions. The equivalent disclosures are available within these financial statements on a consolidated basis. The company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

Where required, equivalent disclosures are given in the consolidated financial statements.

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the year.

The financial statements have been prepared on the historical cost basis except for the re-measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those adopted in the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's and company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

There are not deemed to be any critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have a significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Discount rate used to determine the carrying amount of the group's defined benefit obligation

The group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The group pension liability at the year-end is £3,821,000 (2016: £2,791,000).

Provision for insurance claims

A provision is made for outstanding insurance claims incurred at the balance sheet date. The group provision balance at the year-end is £2,032,000 (2016: £2,378,000)

4. REVENUE

The turnover and profit before taxation is considered by the directors to arise from a single class of activity wholly within the United Kingdom. An analysis of the group's and company's revenue is as follows:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Continuing operations				
Sales of services	31,598	31,170	30,643	30,643
	31,598	31,170	30,643	30,643
Property rental income	40	40	58	58
Other operating income	359	353	277	277
Investment revenue (see note 10)	10	10	13	13
	32,007	31,573	30,991	30,991

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

5. OPERATING SEGMENTS

The directors believe that the whole of group's activities constitute a single class of business. The Cardiff City Transport Services Limited Board and management team review all internal management information on a single segment basis and accordingly no segmental information is provided in this report.

6. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Depreciation of property, plant and equipment	2,337	2,327	2,303	2,303
Gain on disposal of property, plant and equipment	(46)	(51)	(3)	(3)
Cost of inventories recognised as expense (see note 16)	890	890	844	844
Staff costs (see note 9)	21,387	20,985	20,177	20,177
Operating lease rentals – land and buildings (see note 28)	16	16	16	16

7. PROFIT OF PARENT COMPANY

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the year. The company reported a profit for the financial year ended 31 March 2017 of £550,000 (2016: £293,000).

8. AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration is as follows:	2017 £	2016 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	31,600	21,500
Total audit fees	31,600	21,500
- Taxation compliance services	6,000	6,000
- Other taxation advisory services (iXBRL)	650	650
Total non-audit fees	6,650	6,650
Fees payable to the company's auditor and its associates in respect of associated pension schemes		
Audit	9,744	10,660

Fees payable to Deloitte LLP and its associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

9. STAFF COSTS

	2017 £'000	2016 £'000
Directors' emoluments (group and company)		
Remuneration	295	294
Pension contributions	31	30
	326	324

	No.	No.
Number of directors who are members of a defined benefit pension scheme	1	2

	£'000	£'000
In respect of the highest paid director (group and company)		
Emoluments	108	106
Pension contributions	11	11

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

	Group 2017 No.	Company 2017 No.	Group 2016 No.	Company 2016 No.
Average number of persons employed (including executive directors)				
Administration staff	67	67	65	65
Traffic	575	545	536	536
Engineering	69	69	71	71
	711	681	672	672

	£'000	£'000	£'000	£'000
Their aggregate remuneration comprised				
Wages and salaries	18,042	17,668	17,298	17,298
Social security costs	1,691	1,665	1,357	1,357
Other pension costs	1,654	1,652	1,522	1,522
	21,387	20,985	20,177	20,177

The non-executive directors do not receive any emoluments for their work from the group or Cardiff City Transport Services Limited.

10. INVESTMENT REVENUE (group and company)

	2017 £'000	2016 £'000
Bank deposit interest	10	13

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

11. FINANCE COSTS

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Finance lease interest	181	181	166	166
Net interest expense on pension scheme	78	78	138	138
Other interest payable	5	3	16	16
	264	262	320	320

12. TAX

	2017 £'000	2016 £'000
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 20% (2016: 20%)	66	62
Adjustment in respect of previous years	-	(21)
Total current tax	66	41
Deferred taxation		
Origination and reversal of temporary differences	18	10
Adjustment in respect of previous years	-	14
Effect of changes in tax rates	8	-
Total deferred tax	26	24
Total tax charge on profit on ordinary activities	92	65
Equity items		
Deferred tax	(39)	5

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

	£'000	£'000
Profit on ordinary activities before tax	321	358
Tax on profit on ordinary activities before tax at 20% (2016: 20%)	64	72
Factors affecting charge for the year		
Adjustments to tax charge in respect of previous years	-	(7)
Expenses not deductible	20	
Effect of tax rate changes	8	-
Total tax charge for the year	92	65

In addition to the amount charged to the income statement, a credit of £283,000 (2016: a charge of £309,000) relating to tax have been recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

12. TAX (continued)

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. In addition, the Finance Act 2016 which was substantively enacted on 6th September 2016 introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. Accordingly, these rates have been applied when calculating deferred tax assets and liabilities as at 31 March 2017. A deferred tax asset has been recognised of £856,000 (2016: £675,000) as it is considered probable that there will be future taxable profits available.

13. DIVIDENDS (group and company)

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity holder in the period:		
Final dividend	-	250

No dividend has been approved for 2017.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Buses and motor vehicles £'000	Total £'000
Cost				
At 1 April 2016	5,550	6,414	33,049	45,013
Additions	-	93	1,650	1,743
Disposals	-	(28)	(1,364)	(1,392)
At 31 March 2017	5,550	6,479	33,335	45,364
Depreciation				
At 1 April 2016	214	3,984	19,068	23,266
Charge for the year	104	448	1,785	2,337
Disposals	-	(6)	(1,349)	(1,355)
At 31 March 2017	318	4,426	19,504	24,248
Net book value				
At 31 March 2017	5,232	2,053	13,831	21,116
At 31 March 2016	5,336	2,430	13,981	21,747

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Buses and motor vehicles £'000	Total £'000
Cost				
At 1 April 2016	5,550	6,414	33,049	45,013
Additions	-	72	1,588	1,660
Disposals	-	(27)	(1,360)	(1,387)
At 31 March 2017	5,550	6,459	33,277	45,286
Depreciation				
At 1 April 2016	214	3,984	19,068	23,266
Charge for the year	104	445	1,778	2,327
Disposals	-	(6)	(1,349)	(1,355)
At 31 March 2017	318	4,423	19,497	24,238
Net book value				
At 31 March 2017	5,232	2,036	13,780	21,048
At 31 March 2016	5,336	2,430	13,981	21,747

Included under buses are assets with a net book value at 31 March 2017 of £11,836,000 (2016: £11,619,000) held under finance lease. Freehold land and buildings with a carrying amount of £5,232,000 (2016: £5,336,000) have been pledged to secure borrowings of the group. The group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. In addition, the group's obligations under finance leases (see note 20) are secured by the lessors' title to the leased assets, which have a carrying amount of £11,836,000 (2016: £11,619,000).

15. INVESTMENTS

Subsidiary undertaking	2017 £000	2016 £'000
Cost and net book value		
Shares in subsidiary undertaking	1	1

The company's only wholly-owned subsidiary at year-end, Vale Busline Limited, is registered in England and Wales. Since September 2016, Vale Busline Limited has commenced trading and the principal activity is that of providing road passenger transport services in and around Cardiff. Vale Busline Limited has no wholly-owned subsidiaries. Vale Busline Limited has the same registered office as Cardiff City Transport Services Limited which is disclosed on page 1.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

16. INVENTORY

The Group and the Company	2017 £'000	2016 £'000
Raw materials and consumables	164	149
Derv fuel inventory	127	110
	291	259

The cost of inventories recognised as expenses during the year was £890,000 (2016: £844,000).

17. TRADE AND OTHER RECEIVABLES

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade receivables	242	198	320	320
Amounts owed by parent undertaking	76	76	113	113
Amounts owed by related parties	-	-	-	-
Other receivables	615	1,144	152	152
Prepayments and accrued income	25	62	23	23
Other taxation	247	247	158	158
	1,205	1,727	766	766

Trade receivables are non-interest-bearing and are generally on 30-day terms.

As at 31 March 2017, the group's trade receivables of £242,000 (2016: £320,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

Ageing of past due but not impaired receivables:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
1-30 days	202	166	278	278
31-60 days	7	5	8	8
61-90 days	2	2	8	8
91-120 days	1	-	10	10
120+ days	30	25	16	16
Total	242	198	320	320

In determining the recoverability of a trade receivable the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

18. CASH AND BANK BALANCES AND BANK DEPOSIT INVESTMENTS (group and company)

£2,859,000 (2016: £2,603,000) is held in money market accounts that are not instant access.

Bank deposit investments include £2,852,000 (2016: £2,596,000) held in an escrow account against future insured liabilities.

19. TRADE AND OTHER PAYABLES

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade payables	517	515	211	211
Amounts owed to group undertaking	-	1	-	1
Amounts owed to related parties	9	9	25	25
Other payables including taxation and social security	1,374	1,368	1,273	1,273
Accruals	477	477	904	904
	2,377	2,370	2,413	2,414

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is seven days for fuel and 30 days for all other creditors. Financial Risk Management policies are in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Debenture loan

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Debenture loan	-	-	1,000	1,000

The loan was repaid in June 2016.

20. OBLIGATIONS UNDER FINANCE LEASE

The Group and the Company	2017 £'000	2016 £'000
Amounts payable under finance leases		
Due within one year	1,465	1,238
Due in the second to fifth years inclusive	4,784	4,679
Due over five years	214	573
	6,463	6,490

Minimum lease payments and the present value of minimum lease payments are deemed to be the same. It is the group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is seven years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

20. OBLIGATIONS UNDER FINANCE LEASE (continued)

All lease obligations are denominated in pounds sterling. The fair value of the group's lease obligations is approximately equal to their carrying amount.

The group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 14.

21. PROVISIONS

The Group and the Company	2017 £'000	2016 £'000
Insurance provision	2,032	2,378

The insurance provision is split between current liabilities and non-current liabilities at £915,000 (2016: £1,070,000) and £1,117,000 (2016: £1,308,000) respectively.

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 2016 £'000	Charged to income statement £'000	Release to income statement £'000	Amounts paid £'000	Balance at 31 March 2017 £'000
Insurance provision	2,378	2,257	(1,097)	(1,506)	2,032

The provision for insurance claims represents management's best estimate of amounts payable by the company in respect of outstanding claims.

22. DEFERRED TAXATION

The Group and Company	Balance at 1 April 2016 £'000	Credit to reserves/ equity £'000	Debit to income statement £'000	Balance at 31 March 2017 £'000
Deferred taxation	607	(322)	26	311

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

	2017 £'000	2016 £'000
Capital allowances in excess of depreciation	(425)	(497)
Deferred tax on the revaluation reserve	(742)	(785)
Deferred tax on the defined benefit pension scheme	726	558
Other timing differences	130	117
At end of financial year	(311)	(607)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

23. 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 City of Cardiff 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.

The total costs charged in the income statement for the money purchase scheme of £707,000 (2016: £683,000) represent contributions payable during the year. At 31 March 2017, contributions of £85,000 (2016: £70,000) due in respect of the current reporting period had not been paid over to the scheme.

Cardiff City Transport Services Limited Pension Scheme

Since 30 June 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members and a money purchase scheme was introduced. This closed to new members in July 2013.

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 2014, was carried out as at 1 April 2015. 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 0.85% per annum higher than the rate of future annual wage and salary growth and 0.85% per annum higher than the rate of future retail price inflation. The investment return for pension liabilities once in payment was assumed to be 0.15% lower than the rate of future retail price inflation.

The defined benefit schemes are administered by a separate fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The valuation showed that the total market value of the scheme's assets, net of final salary members' AVCs, was £42.1m and that this value represented 95% 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, but allowing for PPF levies, life assurance premiums and expenses, was found to be 18.6% of members' pensionable pay as at 1 April 2015. The company paid 14.9% of members' pensionable pay until 31 December 2016, from which date it increased to 18.9% of members' pensionable pay. This is increased by 0.2% every 1 April, with an effective company contribution rate of 19.1% of pensionable pay from 1 April 2017. Employee contributions are payable in addition. For the majority of defined benefit section members, contributions are 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 sections are payable in accordance with the scheme rules.

An assessment of the liabilities of the defined benefit section of the scheme was carried out as at 31 March 2017 for accounting disclosure purposes by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

23. PENSIONS (continued)

Cardiff City Transport Services Limited Pension Scheme (continued)

The principal assumptions used by the actuary were:

	At 31 March 2017	At 31 March 2016
Rate of increase in salaries	3.3% per annum	3.1% per annum
Discount rate	2.6% per annum	3.5% per annum
Inflation assumption (RPI)	3.3% per annum	3.1% per annum
Inflation assumption (CPI)	2.3% per annum	2.1% per annum
Pension increases (CPI5)	2.3% per annum	2.1% per annum

Mortality assumption

The mortality assumptions are based on S2PXA tables, relevant to year of birth rated up two years, with future improvements in line with the CMI2015 projection model with a long term trend rate of 1.0%. The assumptions are that a member aged 65 at the disclosure date will live on average for a further 20.3 years (2016: 20.5) if they are male and for a further 22.3 years (2016: 22.5) if they are female. For a member who is 45 at the disclosure date and retires at age 65 the assumptions are that they will live on average for a further 21.6 years after retirement (2016: 21.8) if they are male and for a further 23.7 years after retirement (2016: 24.0) if they are female.

The assets in the fund were:

	2017 Fair value £'000	2016 Fair value £'000
Equities	14,679	13,734
Diversified growth	16,724	15,348
Convertible bonds	4,001	3,759
Cash and LDI	2,414	83
	37,818	32,924

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

23. PENSIONS (continued)

Cardiff City Transport Services Limited Pension Scheme (continued)

The net pensions (deficit)/surplus measured under IAS 19 comprised the following:

	At 31 March 2017 £'000	At 31 March 2016 £'000
Total market value share of assets	37,818	32,924
Present value of scheme liabilities	(38,459)	(32,046)
Net IAS 19 scheme (deficit)/surplus	(641)	878

	At 31 March 2017 £'000	At 31 March 2016 £'000
Analysis of amount charged to operating profit		
Administration	(296)	(237)
Current service cost	(589)	(669)
Analysis of amount credited to interest receivable		
Expected return on pension scheme assets	1,142	1,072
Interest on pension scheme liabilities	(1,110)	(1,120)
Net finance income/(loss)	32	(48)

Of the expense (service cost) for the year, £589,000 (2016: £669,000) has been included in the income statement as cost of sales and £296,000 (2016: £237,000) has been included in administrative expenses. The net interest expense has been included within finance costs. The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Analysis of amount recognised in statement of comprehensive income

	At 31 March 2017 £'000	At 31 March 2016 £'000
Actuarial (loss)/gain recognised in statement of comprehensive income	(1,637)	2,349

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

23. PENSIONS (continued)

Cardiff City Transport Services Limited Pension Scheme (continued)

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

	At 31 March 2017 £'000	At 31 March 2016 £'000
Opening defined benefit obligation	32,046	34,276
Current service cost	589	669
Interest cost	1,110	1,120
Re-measurement losses/(gains):		
Actuarial losses/(gains) arising from changes in financial assumptions	5,985	(2,664)
Contributions from plan participants	141	158
Benefits paid	(1,412)	(1,513)
Closing defined benefit obligation	38,459	32,046

Movements in the fair value of plan assets in the year were as follows:

	At 31 March 2017 £'000	At 31 March 2016 £'000
Opening fair value of plan assets	32,924	32,795
Interest income	1,142	1,072
Re-measurement gain/(loss):		
Actuarial gains and losses arising from changes in financial assumptions	4,348	(315)
Contributions from the employer	971	964
Contributions from plan participants	141	158
Benefits paid	(1,412)	(1,513)
Others - non-investment expenses	(296)	(237)
Closing fair value of plan assets	37,818	32,924

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

23. PENSIONS (continued)

Cardiff City Transport Services Limited Pension Scheme (continued)

The Company continues to pay deficit contributions (£32,207 per month during the 2016/17 Scheme year) in order to recover the deficit disclosed at the last formal actuarial valuation. These contributions will act to reduce the disclosed deficit each year and will next be reviewed in conjunction with the Scheme's actuarial valuation as at 1 April 2018.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Risks

The scheme assets are subject to investment risks, namely credit risk and market risk. Market risks include currency, interest rate and other price risks, managed by holding a diversified portfolio of assets.

Uncertainty and Sensitivity

Results under the IAS 19 reporting standard can change dramatically depending on market conditions. The liabilities are linked to yields on AA rated corporate bonds whereas a large proportion of the assets of the Scheme are invested in equities or investments that target equity-type returns. It is important to note that it is the difference between the assumptions used to project future cash flows and those used to discount them that are important, rather than the absolute value of the individual assumptions.

An indication of the sensitivity of the liabilities to a change in the assumptions is provided in the table below:

Assumptions adjustment	Increase in deficit (£m)
Discount rate before and after retirement decreased by 0.1% pa	0.7
Inflation increased by 0.1% pa	0.6
Members assumed to live one year longer (-1 applied to the age rating)	1.1

The government is consulting on how trustees might equalise benefits for the effects of inequalities in guaranteed minimum pensions (GMPs) between male and female members. No allowance has been made in these calculations for equalising benefits to allow for the inequalities associated with GMPs.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

There has been no change in the processes used by the group to manage its risks from prior periods.

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 2016.

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 25.4% of pensionable pay from 1 April 2017 continuing into 2019/20. In addition to this rate, Cardiff City Transport Services Limited is required to pay £360,000 per annum.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

23. PENSIONS (continued)

The most recent completed valuation was carried out as at 31 March 2016, 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 IAS 19 in order to assess the liabilities of the Fund as at 31 March 2016. 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 25.4% of pensionable pay plus a monetary amount of £480,000. The contribution rates certified for the company at the 31 March 2016 valuation are 25.4% of pensionable pay plus an additional annual contribution of £360,000 from April 2017 to March 2020.

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 are as follows:

	At 31 March 2017	At 31 March 2016
Rate of increase in salaries	3.3% per annum	3.1% per annum
Discount rate	2.6% per annum	3.5% per annum
Rate of increase to pensions in payment	2.3% per annum	2.1% per annum
Rate of increase to deferred pensions	2.3% per annum	2.1% per annum
Rate of inflation (RPI)	3.3% per annum	3.1% per annum
Rate of inflation (CPI)	2.3% per annum	2.1% per annum

Mortality assumption

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.3 years (2016: 21.5) if they are male and for a further 22.2 years (2016: 23.2) 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 21.6 years after retirement (2016: 22.7) if they are male and for a further 23.7 years after retirement (2016: 24.6) if they are female.

The assets in the fund and expected rates of return were:

	2017 Fair value £'000	2016 Fair value £'000
Equities	23,640	19,917
Government bonds	2,573	2,148
Corporate bonds	1,756	1,909
Property	1,907	1,936
Cash	454	610
Other assets	(60)	-
	30,270	26,520

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

23. PENSIONS (continued)

The net pension liability measured under IAS 19 comprised the following:

	At 31 March 2017 £'000	At 31 March 2016 £'000
Total market value share of assets	30,270	26,520
Present value of scheme liabilities	(33,450)	(30,190)
Net IAS 19 scheme deficit	(3,180)	(3,670)

	At 31 March 2017 £'000	At 31 March 2016 £'000
Analysis of amount charged to operating profit		
Past service cost	-	-
Current service cost	(210)	(270)
Total operating charge	(210)	(270)
Analysis of amount credited to interest receivable		
Expected return on pension scheme assets	920	900
Interest on pension scheme liabilities	(1,030)	(990)
Net finance expense	(110)	(90)
Analysis of amount recognised in statement of comprehensive income		
Actuarial gain/(loss) recognised in statement of comprehensive income	150	(790)

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

	At 31 March 2017 £'000	At 31 March 2016 £'000
Opening defined benefit obligation	30,190	30,710
Current service cost	210	270
Interest cost	1,030	990
Re-measurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	3,430	(510)
Contributions from plan participants	50	60
Benefits paid	(1,460)	(1,330)
Closing defined benefit obligation	33,450	30,190

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

23. PENSIONS (continued)

Movements in the fair value of plan assets in the year were as follows:

	At 31 March 2017 £'000	At 31 March 2016 £'000
Opening fair value of plan assets	26,520	27,500
Interest income	920	900
Re-measurement gain/(loss):	3,580	(1,300)
Actuarial gains and losses arising from changes in financial assumptions		
Contributions from the employer	660	690
Contributions from plan participants	50	60
Benefits paid	(1,460)	(1,330)
Others - non-investment expenses	-	-
Closing fair value of plan assets	30,270	26,520

Uncertainty and Sensitivity

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2017 and the projected service cost for the period ending 31 March 2018 is set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same as summarised above.

Sensitivity of unfunded benefits (where applicable) have not been included on materiality grounds.

Discount rate assumption Adjustment to discount rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£m)	33.04	33.45	33.87
% change in present value of total obligation	-1.2%		1.2%
Projected service cost (£m)	0.25	0.26	0.27
Approximate % change in projected service cost	-1.9%		2.0%

Rate of general increase in salaries Adjustment to salary increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£m)	33.48	33.45	33.42
% change in present value of total obligation	0.1%		-0.1%
Projected service cost (£m)	0.26	0.26	0.26
Approximate % change in projected service cost	0.0%		0.0%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

23. PENSIONS (continued)

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption Adjustment to pension increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£m)	33.84	33.45	33.06
% change in present value of total obligation	1.2%		-1.2%
Projected service cost (£m)	0.27	0.26	0.25
Approximate % change in projected service cost	2.0%		-1.9%

Post retirement mortality assumption Adjustment to mortality age rating assumption*	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£m)	34.58	33.45	32.33
% change in present value of total obligation	3.4%		-3.3%
Projected service cost (£m)	0.27	0.26	0.25
Approximate % change in projected service cost	4.1%		-4.0%

* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

The total net pension surplus/(liability) measured under IAS 19 for both schemes is as follows:

The Group and the Company	**2017 £'000**	**2016 £'000**
Cardiff City Transport Scheme	(641)	878
Cardiff and Vale of Glamorgan Pension Fund	(3,180)	(3,669)
Total	(3,821)	(2,791)

24. SHARE CAPITAL

The Group and the Company	**2017 £'000**	**2016 £'000**
Allotted, authorised, called up and fully paid		
4,618,100 Ordinary shares of £1 each	4,618	4,618

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

25. REVALUATION RESERVES – group and company

	Properties revaluation reserve £'000
Balance at 1 April 2015	3,159
Transfer between reserves on revaluation of property	(22)
Deferred tax on transfer between reserves on revaluation of property	5
Balance at 1 April 2016	3,142
Transfer between reserves on revaluation of property	(22)
Deferred tax on transfer between reserves on revaluation of property	4
Deferred tax due to tax rate change	39
Balance at 31 March 2017	3,163

26. RETAINED EARNINGS – group and company

	Group Retained earnings £'000	Company Retained earnings £'000
Balance at 1 April 2015	2,966	2,966
Profit for the year	293	293
Other comprehensive income for the year	1,250	1,250
Transfer between reserves on revaluation of property	22	22
Deferred tax on transfer between reserves on revaluation of property	(5)	(5)
Dividends	(250)	(250)
Balance at 1 April 2016	4,276	4,276
Profit for the year	229	550
Other comprehensive income for the year	(1,204)	(1,204)
Transfer between reserves on revaluation of property	22	22
Deferred tax on transfer between reserves on revaluation of property	(4)	(4)
Balance at 31 March 2017	3,319	3,640

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

27. NOTES TO THE CASH FLOW STATEMENT

	2017 £'000	2016 £'000
Operating profit	575	665
Adjustment for:		
Depreciation of property, plant and equipment	2,337	2,303
Adjustment for pension funding	(220)	(699)
Operating cash flows before movements in working capital	2,692	2,269
(Increase)/decrease in inventories	(32)	78
(Increase)/decrease in receivables	(439)	305
(Decrease)/increase in payables	(634)	(122)
Cash generated by operations	1,587	2,530
Income tax paid	(94)	(177)
Net cash inflow from operating activities	1,493	2,353
Net cash from operating activities before tax can be analysed as follows:		
Continuing operations (excluding restricted cash)	1,237	2,268
increase in restricted cash	256	85
	1,493	2,353

Analysis of net debt:	£'000	£'000
Cash and bank balances	701	2,405
Investments	2,859	2,603
Finance leases	(6,463)	(6,490)
Debenture	-	(1,000)
	(2,903)	(2,482)
Analysis of changes in net debt:		
Opening net debt:	(2,482)	294
Net increase/(loss) in cash and cash equivalents	(1,704)	(385)
Net decrease in investments (including Debenture)	1,256	85
Decrease/(Increase) in finance leases	27	(2,476)
Closing net debt	(2,903)	(2,482)

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

28. OPERATING LEASE ARRANGEMENTS

The group as lessee

	2017 £'000	2016 £'000
Lease payments under operating leases recognised as an expense in the year	16	16

At the balance sheet date, the group had outstanding commitments for future minimum lease payments for property rental under non-cancellable operating leases which fall due as follows:

Land and buildings	**£'000**	**£'000**
Within one year	16	16
In the second to fifth years inclusive	-	16
	16	32

29. CAPITAL COMMITMENTS

For the year to 31 March 2017, Cardiff Bus has entered into a fixed price contract for around 90% of its fuel at a price of 94.5ppl for the first three months of the year, 94.4ppl for the next three months and then 92.7ppl for the next three.

30. RELATED PARTY TRANSACTIONS

During the year, the group received £9,648,416 (2016: £9,309,454) from The City of Cardiff Council £8,694,603 of which was received under the WAG Across Wales Over 60 Free Travel scheme (2016: £8,651,831) and incurred trading expenses of £574,055 (2016: £575,591). At 31 March 2017, there was a balance of £76,001 (2016: £113,173) owed by The City of Cardiff Council and a balance of £9,368(2016: £1,025,740) owed to The City of Cardiff Council (including debenture loan 2016).

During the year, the Company had inter-company transactions with Vale Busline Limited totalling £573,463, which was the balance due to the Company at 31 March 2017 (2016: Nil). At 31 March 2017, there was a balance owed to Vale Busline Limited of £1,000.

31. ULTIMATE CONTROLLING PARTY

The immediate and ultimate controlling party is The City of Cardiff Council,

The smallest and largest undertaking for which the company is a member and for which group financial statements are prepared is The County Council of the City and Council of Cardiff; the consolidated financial statements are available to the public from The City of Cardiff Council, County Hall, Atlantic Wharf, Cardiff, CF10 4UW.