Company Registration No. 02001229

CARDIFF CITY TRANSPORT SERVICES LIMITED

Annual Report and Financial Statements

Year ended 31 March 2020

CARDIFF CITY TRANSPORT SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

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CARDIFF CITY TRANSPORT SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R A Davies		Resigned 30 April 2019
S Davies	(non-executive)	
P G Dyer		Appointed 2 January 2020
G M Hill-John	(non-executive)	
O L Jones	(non-executive)	
C N Lay	(non-executive)	
G A Mole		Resigned 8 May 2020
C Ogbonna		Resigned 9 October 2019
L Phillips	(non-executive)	
E C Sandrey	(non-executive)	
K Singh	(non-executive)	
R A Souter-Payne	(non-executive)	
G Stevens		Appointed 7 August 2019
DJ Conway		Appointed 24 August 2020

COMPANY SECRETARY

B R Meredith	Resigned 17 December 2020
D Evans	Appointed 17 December 2020

REGISTERED NUMBER

02001229

REGISTERED OFFICE

Leckwith Depot and Offices
Sloper Road
Leckwith
Cardiff
CF11 8TB

SOLICITORS

Capital Law
Capital Building
Tyndall Street
Cardiff
CF10 4AZ

Eversheds Sutherland
1 Callaghan Square
Cardiff
CF10 5BT

AUDITOR

Deloitte LLP
Statutory Auditor
5 Callaghan Square
Cardiff
CF10 5BT
United Kingdom

BANKER

HSBC plc
First Floor
1 Callaghan Square
Cardiff
CF10 5BT

CARDIFF CITY TRANSPORT SERVICES LIMITED

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The company was established in accordance with the Transport Act 1985, regulating transport undertakings wholly-owned by municipal authorities. The County Council of the City and County of Cardiff ("Cardiff Council") owns all the issued shares and is therefore 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.

The group's revenue increased by 1.3% to £32,440,000 (2019: £32,009,000) for the year ended 31 March 2020. The company delivered a gross profit of £1,688,000 (2019: £578,000) with efficiency and on-going route reviews.

During the year, the company made investments of £62,000 (2019: £248,000), relating to the purchase of fixtures and fittings.

Due to the impact of the Covid-19 pandemic, the directors have reviewed the carrying value of the assets for impairment under the value in use and fair value less cost to sell. Fair value less cost to sell for the land and buildings for the depot at Sloper Road has been determined at £4,500,000 with reference to a valuation prepared by Alder King, independent property consultants, on an existing use basis. The fair value of the bus fleet has been estimated to be £1,365,000 with reference to open market value for an equivalent Mercedes Citaro bus in a similar condition. The remainder of the bus fleet (non Mercedes Citaro) has been determined at a valuation of zero, given no comparable market value could be evidenced, given the onset of the pandemic and associated market uncertainties.

It is expected that there will be a reversal of some of the bus fleet impairment when either market values can be evidenced as the industry recovers from the pandemic or the value in use model demonstrates a higher valuation. Fair value less cost to sell exceeds the value in use and accordingly we have recorded an impairment to the recoverable amount determined through a fair value less cost to sell.

Operating loss for the current year was £11,171,000 (2019: Operating profit of £418,000), which includes an impairment of assets amount of £11,860,000. The loss after taxation was £11,358,000 (2019: profit after tax of £57,000).

The balance sheet on page 15 of the financial statements shows the net liabilities of £2,295,000 (2019: £9,082,000).

Details of amounts owed to Cardiff Council (the sole shareholder of the company) are shown in note 31 to the financial statements.

During the period, the Company adopted IFRS 16 'Leases' for the first time. IFRS 16 specifies how to recognise, measure, present and disclose leases and replaces IAS 17 'Leases'. The Group adopted IFRS 16 from 31 March 2019 using a simplified modified retrospective transition approach, under which the comparative information presented for the year ended 30 March 2019 has not been restated and therefore continues to be shown under IAS 17. Assets of £448,000 and liabilities of £448,000 were recognised on 1 April 2019. Assets previously recognised as assets acquired under finance leases with a net book value of £24.8m were transferred from property, plant and equipment to right of use assets.

In common with many businesses, post year end the company has been significantly impacted by the Covid-19 pandemic and the necessary measures put in place by government, which have affected travel patterns since March 2020. The company has continued to prioritise the safety and well-being of our people and our customers during this unprecedented period, and have taken decisive action to protect the long-term sustainability of the business. The company has taken advantage of the Coronavirus Job Retention Scheme throughout FY21.

KEY PERFORMANCE INDICATORS

Financial key performance indicators ("KPIs") are disclosed in the business review section above. The directors use the following non-financial KPIs when monitoring the performance of the company:

Category	Description	2020 Actual	2019 Actual
Non-financial	Reliability	97.51%	98.98%
Non-financial	MoT first-time pass rate	99.05%	98.70%

The other KPIs are based on the following:

- Reliability – Mileage delivered as a percentage of total scheduled mileage.
- MoT first-time pass – Number of vehicles passing the MoT test as a percentage of vehicles sent for testing.

STRATEGIC REPORT (continued)

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.

The group's key risks are considered to be as set out below:

Fixed price contracts - Fuel

Risk: The group, like most other bus operators, is exposed to global fluctuations in fuel prices which could significantly affect operational costs and financial results.

Mitigation: The company continues to use fixed price fuel contracts wherever possible to manage the impact on its operations of large movements in fuel prices. This, however, cannot guarantee against any long-term price changes.

Political and regulatory

Risk: The political landscape that the group operates in is constantly changing. Any change to government policy, funding regimes, infrastructure initiatives, or the legal/regulatory framework may result in structural market changes or have an impact on the group's operations in terms of reduced profitability, increased costs and/or a reduction in operational flexibility or efficiency.

Mitigation: Through its associated transport bodies, the group engages with the relevant government bodies and their policy makers to enable it to respond to or react to any proposed changes.

Pension scheme funding

Risk: 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. The Cardiff City Transport Services Limited Pension Scheme contains a defined contribution section containing a guaranteed minimum return for its members. The net deficit across both schemes is £2,740,000 (2019: £2,484,000). Future cash contribution requirements may increase or decrease based upon financial markets, notably investment returns and valuations, the rates used to value the liabilities and through changes to life expectancy, and could result in material changes in the accounting cost and cash contributions required.

Mitigation: Management has mitigated 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. The Cardiff City Transport Services Limited Pension scheme was closed to future accruals from 31 March 2019.

In March 2021 the company entered a Flexible Apportionment Arrangement (FAA). Under this arrangement, the company ceased to be the employer of the scheme, Cardiff City Council became the Scheme's principal employer and the sole statutory employer of the scheme. The company will continue to recognise the pension obligations on its balance sheet but the day to day operation of the scheme has been passed to the shareholder.

Pension scheme assets

Risk: The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, the 31st March 2020 year-end valuation reports provided to Cardiff and Vale of Glamorgan Pension Fund include a statement that there is a material valuation uncertainty in respect of pooled property investments managed on behalf of the pension fund as at 31 March 2020.

The total value of these affected investments as at 31st March 2020 is £106.746m of which, £1.388m (1.3%) is attributable to Cardiff City Transport Services Ltd. Management has considered the material uncertainty included by the valuer and concluded that this could lead to a material change to the value disclosed as at the balance sheet date. Accordingly, management has concluded that there is a material uncertainty on the value of these properties at 31 March 2020.

Mitigation: No action has been taken as this is a risk that arises directly as a result of the pandemic. Post period end the property valuers have concluded that the material uncertainty no longer exists.

UK decision to leave the European Union

Risk: The UK departure from the European Union may adversely affect costs associated with the supply of vehicles, vehicle parts and fuel.

Mitigation: To an extent, the Group is able to modify services and react to market changes.

Labour Costs

Risk: Employee costs represent the largest component of the group's operating costs. Pressure to increase wages and competition for employees in the region can increase costs. High employee turnover could lead to increased training costs in addition to operational disruption. Similarly, industrial action could adversely impact customer service in addition to having a financial impact.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Mitigation: The group has agreed a three-year pay deal which is agreed until April 2022. Additional resources have been employed to focus on the management of sickness and other forms of absence, working closely with the unions to achieve

significant reductions on historical rates and costs incurred. The company is looking to improve communications and staff welfare. This is being supported through the Company's recruitment and retention policies, training schemes and working practices.

Covid-19

Risk: There is a risk to our workforce from contagion and the need to self-isolate. This could impact on the ability to mobilise the fleet. At the same time, our customer base might be reduced both through government restrictions on travel, illness and the desire to avoid close contact with possible carriers on public vehicles. Due to reduction in patronage there will be a significant drop in revenue, this will affect the financial viability of the company to continue to provide this service.

Mitigation: The company is implementing best practices as advised by Department for Transport and has continued to offer a reduced service during the pandemic period. For the 2020/21 year the company entered into an agreement with Welsh Government under the Bus Emergency Scheme (BES) to provide additional funding to continue the service required during the unprecedented period up to March 2021. Further BES funding is being discussed under BES 2 to continue to assist the business until July 2022.

Climate change

Risk: Concerns about clean air is putting pressure on companies to utilise cleaner technologies and reduce carbon emissions. In June 2019 Cardiff Council published its Cardiff Clean Air Plan which was submitted to Welsh Government. The Welsh Government awarded Cardiff Council funding to implement a series of measures to improve air quality after approving its revised clean air proposals. It proposed a package of measures including , a bus retrofitting programme to lower emissions, taxi mitigations measures, city centre transport improvements and an active travel package making it easier for people to walk and cycle in the city centre..

Mitigation: The company is keen to improve its carbon footprint and the company's investment plans include the purchase of electric buses, the installation of the required infrastructure at the company's depot to support those buses and a bus retrofitting programme to lower emissions.

Credit risk

The group's principal financial assets are cash and cash equivalents (including Escrow Insurance bank accounts), 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.

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 loan and overdraft facility and lease finance.

During March 2019 the group replaced its overdraft facility with a secured £1,500,000 loan repayable over three years and an additional £500,000 overdraft facility with the same bank. The loan is subject to certain covenants, which are tested annually. The Company breached its loan covenant at 31 March 2020 and accordingly the loan is disclosed as a current liability. Following the receipt of £7m in March 2021 in return for 7,000,000 £1 ordinary shares from the shareholder Cardiff Council, the loan has been re paid in full in March 2021.

FUTURE DEVELOPMENT

In common with many businesses, post year end the company has been significantly impacted by the Covid-19 pandemic and the necessary measures put in place by government, which have affected travel patterns since March 2020. The company has continued to prioritise the safety and well-being of our people and our customers during this unprecedented period, and have taken decisive action to protect the long-term sustainability of the business. The company has taken advantage of the Coronavirus Job Retention Scheme throughout FY21.

The capital developments at Central Square, which led to the closure of the Cardiff City bus station from August 2015, continued to affect the operational performance of the company during the year ended 31 March 2020 and will continue to impact the business until the new bus station for the City is built. Provisions were put in place for alternative pick-up locations and parking for the buses in the city centre while this development is being completed

This new development in Central Square combined with the roll-out of housing developments (through the Council's Local Development Plan which is aimed at building new developments) will incorporate the use of public transport in its aim to change the modal shift in Cardiff to be 50/50 by 2026.

The Company continues to develop proposals in conjunction with Cardiff Council to enhance its capital investment programme in line with Cardiff Council's Clean Air priorities as laid out in its White Paper. The proposals include the use of electric buses and a joined-up approach to city transport linking bus services with rail, tram and other service providers. The company has ordered its first electric buses in March 2021 which it expects to add to the fleet in September 2021.

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 in conjunction with Cardiff Council.

The Turnaround Committee, established in 2018 continued to support the business during the year. The committee comprises five non-executive directors and the company's managing director. The remit of the Turnaround Committee is to oversee the changes and actions necessary to sustain the company's healthy financial position and create an organisation that is able to meet future challenges.

The committee's functions include the following:

- review and contribute to the development of the business plan and monitor progress;
- help develop the management structure and relationship with Board;
- review and monitor budgets and financial forecasts;
- develop strategy relating to pay, benefits and union relationships; and
- review corporate governance, decision-making process.

GOING CONCERN

As set out in the future developments section above, the Covid-19 pandemic has had a significant impact on the business. With the continued uncertainty of the Covid-19 situation, it remains difficult to predict the likely return of passenger numbers over the foreseeable future. We anticipate that it will be some time before demand returns to pre Covid-19 levels and during the year ended 31 March 2021 ('FY21') we have planned for a number of scenarios. It is expected that there will be a lasting effect of the Covid-19 pandemic on travel patterns with an acceleration of increased working and shopping from home.

Vale Busline Limited, the company's subsidiary, could not cover its costs during the year ended 31 March 2019 and a decision was taken to cease trading with the exception of settling third party liabilities and collecting third party debts outstanding as at 31 March 2019. Assets and liabilities totalling £24,000 were transferred on 1 April 2019 to Cardiff City Transport Services Limited (see note 8).

To assess the ability of Cardiff City Transport Services Limited to continue as a going concern, the directors have prepared a business plan for the period to 31 March 2027 and a detailed cash flow forecast for the period to 31 March 2022 which, together, represent the directors' best estimate of the future development of the Group, during these unprecedented times. The business plan has also formed the basis of the assessment of the investment required for the business going forward over the short to medium term to continue to provide the service required for the city of Cardiff.

In response to the challenges faced by the Group and Company as a result of the Covid-19 pandemic a detailed review was performed on the company's cost base. A significant number of our people were furloughed under the Government's Coronavirus Job Retention Scheme (CJRS) and, as the service levels increased, the furloughed employees returned to work. The forecast assumes the continued availability of the CJRS to the Group and Company if further lockdown scenarios are enforced by the Welsh Government. In October 2020 the Company, with oversight from the turnaround committee, performed a resizing exercise with 112 employees leaving the business as a result of a reduction in demand for the service provided.

In March 2021, the Company issued 7m ordinary shares in return for £7m in cash from our Shareholder, Cardiff Council. At 31 March 2020, the Company was funded through a loan of £1,500,000 and an overdraft facility of £500,000. Following the equity injection received from Cardiff Council, the loan has been repaid in full in March 2021. The remaining £5m will be used to meet the Group and Company's short and medium-term cash requirements, and going forward the business will be funded through cash at bank and on hand with no loan or overdraft facility available to the Group and Company.

The Group and Company has ordered its first electric buses, which are expected to be delivered in September 2021. The cost of the buses and the required infrastructure to support the electric bus fleet will be funded from proceeds of issuing further shares to its shareholder for £6.6m in cash, which has been confirmed by Cardiff Council, and a grant confirmed from the Department of Transport.

During FY21 the Company entered into an agreement with Welsh Government to be provided with funding under the Bus Emergency Scheme (BES) which guaranteed funding until March 2021. The Company is currently in discussion with the Welsh Government on a second agreement for funding from 1 April 2021 to 31 July 2022 under the Bus Emergency Scheme. This is known internally as BES 2. Although the negotiations are at an advanced stage, the agreement for BES 2 funding has not been formally agreed by all parties and there remains uncertainty on the exact nature and timing of the funding.

The directors' cash flow forecast over the going concern period to 31 March 2022 includes a number of assumptions including that further BES funding will be received, the continued receipt of concession funding and Bus Services Support Grant levy, and the continued availability of the CJRS. Having consulted with stakeholders, the directors consider that the Group and Company has a realistic prospect of securing and receiving the aforementioned funding.

There is a material uncertainty related to the assumptions described above which may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern. In the event the Group and Company ceased to be a going concern, the adjustments would include writing down the carrying value of assets to their recoverable amount, and providing for any further liabilities that might arise.

Notwithstanding the material uncertainties described above, on the basis of sensitivities applied to the cash flow forecast and that further support can be agreed within the relevant timescales, the directors have a reasonable expectation that the Group and Company can continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of this report.

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

C N Lay
Director

Date: 8 April 2021

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

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, the principal risks and uncertainties and financial risk management objectives and policies are included in the strategic report on pages 2 to 7 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 Cardiff Council.

RESULTS AND DIVIDENDS

The group's loss after taxation for the financial year amounted to £11,358,000 (2019: £57,000 profit). This was after an impairment charge in respect of property, plant and equipment of £11,860,000.

Due to the impact of the Covid-19 pandemic, the directors have reviewed the carrying value of the assets for impairment under the value in use and fair value less cost to sell. Fair value less cost to sell for the land and buildings for the depot at Sloper Road has been determined at £4,500,000 with reference to a valuation prepared by Alder King, independent property consultants, on an existing use basis. The fair value of the bus fleet has been estimated to be £1,365,000 with reference to open market value for an equivalent Mercedes Citaro bus in a similar condition. The remainder of the bus fleet (non Mercedes Citaro) has been determined at a valuation of zero, given no comparable market value could be evidenced, given the onset of the pandemic and associated market uncertainties.

It is expected that there will be a reversal of some of the bus fleet impairment when either market values can be evidenced as the industry recovers from the pandemic or the value in use model demonstrates a higher valuation. Fair value less cost to sell exceeds the value in use and accordingly we have recorded an impairment to the recoverable amount determined through a fair value less cost to sell.

The directors have not paid or proposed a dividend for the year (2019: £nil). The group did not make any political donations during the financial year (2019: £nil).

SUBSEQUENT EVENTS

In September 2020 the company entered consultation with its employees with 112 employees leaving the company by November 2020.

On 20 November 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. The Group and Company's actuaries are currently estimating the impact on the Group and Company's pension schemes and will be recorded in the Financial Statements for the year ended 31 March 2021.

In March 2021, the company issued 7,000,000 £1 shares in return for £7m in cash. The proceeds were used to repay the loan that was outstanding in full and the remaining proceeds will be used to fund the business' costs over the short and medium term.

In March 2021 the company entered a Flexible Apportionment Arrangement (FAA). Under this arrangement, the company ceased to be the employer of the Cardiff City Transport Services scheme and Cardiff City Council became the Scheme's principal employer and the sole statutory employer of the scheme. The Group and Company continues to be liable for the pension scheme and will continue to consolidate the defined benefit pension schemes in its financial statements.

The Company has developed a proposal in conjunction with Cardiff Council to enhance its capital investment programme in line with Cardiff Council's Clean Air priorities as laid out in its White Paper. The proposed use of electric buses and a joined-up approach to city transport linking bus services with rail, tram and other service providers is all positive for the Company. The cost of the buses and the required infrastructure to support the electric bus fleet will be funded from proceeds of issuing further shares to its shareholder, which has been confirmed by Cardiff Council and a grant confirmed from the Department of Transport.

The Company will continue to seek additional transport work, such as event park and rides and rail replacement work. It will also continue to negotiate subsidised travel arrangements with housing developers and their clients and with businesses moving into the Capital.

DIRECTORS

The directors of the company, who served throughout the financial year and subsequently unless otherwise stated, are set out on page 1. R A Davies resigned on 30 April 2019, G A Mole resigned 8 May 2020 and C Ogbonna 9 October 2019. G. Stevens was appointed as a director on 7 August 2019. P G Dyer was appointed as Managing Director on 2 January 2020.

DIRECTORS' INDEMNITIES

The company and its subsidiary have 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 Chubb European Group.

DISABLED PERSONS

The company has a policy of encouraging the employment of disabled persons wherever this is practicable and attempt to provide equal opportunities to disabled persons. The company endeavours to ensure that disabled employees, and employees who might become disabled while being employed, benefit from training and career development programmes, in common with all employees.

EMPLOYEE CONSULTATION

The group employed 688 people (over 81% of whom are bus drivers) during the year. 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, 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.

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.

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

P G Dyer

Director

Date: 8 April 2021

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

CARDIFF CITY TRANSPORT SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 then apply them consistently.
- make judgements and accounting estimates that are reasonable and prudent.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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 transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the member of Cardiff City Transport Services Limited

Report on the audit of the financial statements

Opinion

In our opinion:

1. the financial statements of Cardiff City Transport Services Limited (the 'parent company') and its subsidiary (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
2. the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
3. the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
4. the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the company balance sheet;
- the company statement of changes in equity; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union and as issued by the IASB. 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements which states that the directors' cash flow forecast over the going concern period includes a number of assumptions including that further Bus Emergency Scheme funding will be received, the continued receipt of concession funding and Bus Services Support Grant levy despite the provisions of service not being provided in future lockdown scenarios and the continued availability of the Coronavirus Job Retention Scheme. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter - material uncertainty related to pension scheme assets

We draw attention to note 3 in the financial statements which describes the effects of the uncertainties created by the coronavirus (Covid-19) pandemic on the valuation of the group's pension scheme assets. The total value of these affected investments as at 31 March 2020 is £106.7m of which, £1.4m (1.3%) is attributable to the Company. The property valuer enclosed a material uncertainty on its valuation of properties at the balance sheet date due to the uncertainties as a result of the Covid-19 pandemic. The Directors have considered the material uncertainty included by the valuer and concluded that this could lead to a material change to the value disclosed as at the balance sheet date. Accordingly, the Directors have concluded that there is a material uncertainty on the value of these properties at 31 March 2020. Our opinion is not modified in respect of this matter.

Independent auditor's report to the member of Cardiff City Transport Services Limited

Report on the audit of the financial statements (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

5. 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
6. 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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

We have nothing to report in respect of these matters.

Independent auditor's report to the member of Cardiff City Transport Services Limited

Report on the audit of the financial statements (continued)

Use of our report

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.

Delyth Jones

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

9 April 2021

CARDIFF CITY TRANSPORT SERVICES LIMITED

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Revenue	4	32,440	32,009
Cost of sales		(30,752)	(31,431)
GROSS PROFIT		1,688	578
Other operating income	4	527	556
Administrative expenses		(1,526)	(716)
Impairment of property, plant and equipment	14	(11,860)	-
OPERATING (LOSS)/PROFIT		(11,171)	418
Finance costs	11	(282)	(307)
(LOSS)/PROFIT BEFORE TAX		(11,453)	111
Tax on (Loss)/Profit	12	95	(54)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE OWNERS OF THE GROUP	6	(11,358)	57

All amounts derive from continuing operations.

The notes on pages 20 to 59 form part of these financial statements.

CARDIFF CITY TRANSPORT SERVICES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
(Loss)/Profit for the year		(11,358)	57
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain recognised in the pension scheme	23	(103)	859
UK deferred tax attributable to actuarial gains and losses	12	135	(284)
UK deferred tax attributable to revaluation reserve	12	(51)	-
Other comprehensive (expense)/income/ for the year		(19)	575
Total comprehensive (expense)/income for the financial year attributable to the owner of the Group		(11,377)	632

CONSOLIDATED BALANCE SHEET
As at 31 March 2020

	Note	2020 £'000	2019 (As restated – see note 2) £'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	4,500	19,302
Right of use asset	14	1,365	-
Funds on deposit	17	2,278	2,098
Deferred tax	22	714	653
Pensions	23	5,632	1,929
		14,489	23,982
CURRENT ASSETS			
Inventories	16	442	328
Trade and other receivables	18	1,874	1,674
Cash and bank balances		66	-
		2,382	2,022
TOTAL ASSETS		16,871	26,004
CURRENT LIABILITIES			
Trade and other payables	19	(2,355)	(2,773)
Borrowings	29	(1,500)	-
Bank overdraft		-	(1,172)
Lease liabilities	20	(1,407)	(1,948)
Provisions	21	(1,392)	(1,324)
		(6,654)	(7,217)
NET CURRENT LIABILITIES		(4,272)	(5,215)
NON-CURRENT LIABILITIES			
Lease liabilities	20	(2,751)	(3,611)
Provisions	21	(675)	(828)
Deferred tax	22	(714)	(833)
Pensions	23	(8,372)	(4,413)
		(12,512)	(9,685)
TOTAL LIABILITIES		(19,166)	(16,255)
NET LIABAILITIES/ASSETS		(2,295)	9,082
EQUITY			
Share capital	24	4,618	4,618
Revaluation reserve	25	3,197	3,149
Retained earnings	26	(10,110)	1,315
TOTAL SHAREHOLDERS' (DEFICIT)/EQUITY		(2,295)	9,082

The notes on pages 20 to 59 form part of these financial statements.

The financial statements of Cardiff City Transport Services Limited, registered number 02001229, were approved by the Board of Directors and authorised for issue on 8 April 2021.

Signed on behalf of the Board of Directors

P G Dyer, Director **C N Lay, Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Share capital £'000 Note 24	Revaluation reserve £'000 Note 25	Retained earnings £'000 Note 26	Total £'000
Balance at 1 April 2018	4,618	3,141	691	8,450
Profit for the year	-	-	57	57
Transfer between reserves on revaluation of property	-	(22)	22	-
Actuarial valuation of pension schemes	-	-	859	859
Deferred tax	-	-	(314)	(314)
Deferred tax on revaluation of property	-	30	-	30
Total comprehensive income for the year	-	8	624	632
Balance at 31 March 2019	4,618	3,149	1,315	9,082
Loss for the year	-	-	(11,358)	(11,358)
Transfer between reserves on revaluation of property	-	(22)	22	-
Actuarial valuation of pension schemes	-	-	(103)	(103)
Deferred tax	-	-	14	14
Deferred tax on revaluation of property	-	70	-	70
Total comprehensive expense for the year	-	48	(11,425)	(11,377)
Balance at 31 March 2020	4,618	3,197	(10,110)	(2,295)

CARDIFF CITY TRANSPORT SERVICES LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
NET CASH FROM OPERATING ACTIVITIES	27	1,998	1,194
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(62)	(255)
Disposal of property, plant and equipment		-	742
NET CASH (USED IN) / FROM INVESTING ACTIVITIES		(62)	487
FINANCING ACTIVITIES			
New loan		1,500	-
Interest paid		(282)	(307)
Repayment of lease obligations		(1,916)	(1,895)
NET CASH USED IN FINANCING ACTIVITIES		(698)	(2,202)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		1,238	(521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(1,172)	(651)
CASH AND CASH EQUIVALENTS AT END OF YEAR		66	(1,172)

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

COMPANY BALANCE SHEET
As at 31 March 2020

	Note	2020 £'000	2019 (As restated – see note 2) £'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	4,500	19,284
Right of use asset	14	1,365	-
Investments		1	1
Funds on deposit	17	2,278	2,098
Deferred tax	22	714	653
Pensions	23	5,632	1,929
		14,490	23,965
CURRENT ASSETS			
Inventories	16	442	328
Trade and other receivables	18	1,900	1,630
Cash and bank balances		40	-
		2,382	1,958
TOTAL ASSETS		16,872	25,923
CURRENT LIABILITIES			
Trade and other payables	19	(2,404)	(2,690)
Borrowings	29	(1,500)	-
Bank overdraft		-	(1,243)
Lease liabilities	20	(1,407)	(1,948)
Provisions	21	(1,392)	(1,324)
		(6,703)	(7,205)
NET CURRENT LIABILITIES		(4,321)	(5,247)
NON-CURRENT LIABILITIES			
Lease liabilities	20	(2,752)	(3,611)
Provisions	21	(675)	(828)
Deferred tax	22	(714)	(833)
Pensions	23	(8,372)	(4,413)
		(12,513)	(9,685)
TOTAL LIABILITIES		(19,216)	(16,243)
NET LIABILITIES		(2,344)	9,033
EQUITY			
Share capital	24	4,618	4,618
Revaluation reserve	25	3,197	3,149
Retained earnings	26	(10,159)	1,266
TOTAL SHAREHOLDERS' (DEFICIT)/EQUITY		(2,344)	9,033

The financial statements of Cardiff City Transport Services Limited, registered number 02001229, were approved by the Board of Directors and authorised for issue on 8 April 2021. Signed on behalf of the Board of Directors

P G Dyer, Director **C N Lay, Director**

CARDIFF CITY TRANSPORT SERVICES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Share capital £'000 Note 24	Revaluation reserve £'000 Note 25	Retained earnings £'000 Note 26	Total £'000
Balance at 1 April 2018	4,618	3,141	1,379	9,138
Loss for the year	-	-	(680)	(680)
Transfer between reserves on revaluation of property	-	(22)	22	-
Actuarial valuation of pension schemes	-	-	859	859
Deferred tax	-	-	(314)	(314)
Deferred tax on revaluation of property	-	30	-	30
Total comprehensive expense for the year	-	8	(113)	(105)
Balance at 31 March 2019	4,618	3,149	1,266	9,033
Loss for the year	-	-	(11,358)	(11,358)
Transfer between reserves on revaluation of property	-	(22)	22	-
Actuarial valuation of pension schemes	-	-	(103)	(103)
Deferred tax	-	-	14	14
Deferred tax on revaluation of property	-	70	-	70
Total comprehensive income for the year	-	48	(11,425)	(11,377)
Balance at 31 March 2020	4,618	3,197	(10,159)	(2,344)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

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 the strategic report on pages 2 to 6.

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 preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);

These financial statements are presented in pounds sterling as this is the currency of the economic environment in which the group operates. The accounting policies have remained consistent to all the years presented, except for new accounting standards set out separately below.

The financial statements have been prepared on the historical cost basis, as explained in the accounting policies below.

Going concern

As set out in the future developments section above, the Covid-19 pandemic has had a significant impact on the business. With the continued uncertainty of the Covid-19 situation, it remains difficult to predict the likely return of passenger numbers over the foreseeable future. We anticipate that it will be some time before demand returns to pre Covid-19 levels and during the year ended 31 March 2021 ('FY21') we have planned for a number of scenarios. It is expected that there will be a lasting effect of the Covid-19 pandemic on travel patterns with an acceleration of increased working and shopping from home.

Vale Busline Limited, the company's subsidiary, could not cover its costs during the year ended 31 March 2019 and a decision was taken to cease trading with the exception of settling third party liabilities and collecting third party debts outstanding as at 31 March 2019. Assets and liabilities totalling £24,000 were transferred on 1 April 2019 to Cardiff City Transport Services Limited (see note 8).

To assess the ability of Cardiff City Transport Services Limited to continue as a going concern, the directors have prepared a business plan for the period to 31 March 2027 and a detailed cash flow forecast for the period to 31 March 2022 which, together, represent the directors' best estimate of the future development of the Group, during these unprecedented times. The business plan has also formed the basis of the assessment of the investment required for the business going forward over the short to medium term to continue to provide the service required for the city of Cardiff.

In response to the challenges faced by the Group and Company as a result of the Covid-19 pandemic a detailed review was performed on the company's cost base. A significant number of our people were furloughed under the Government's Coronavirus Job Retention Scheme (CJRS) and, as the service levels increased, the furloughed employees returned to work. The forecast assumes the continued availability of the CJRS to the Group and Company if further lockdown scenarios are enforced by the Welsh Government. In October 2020 the Company, with oversight from the turnaround committee, performed a resizing exercise with 112 employees leaving the business as a result of a forecast reduction in demand for the service provided.

In March 2021, the Company issued 7m ordinary shares in return for £7m in cash from our Shareholder, Cardiff Council. At 31 March 2020, the Company was funded through a loan of £1,500,000 and an overdraft facility of £500,000. Following the equity injection received from Cardiff Council, the loan has been repaid in full in March 2021. Going forward the business will be funded through cash at bank and on hand with no loan or overdraft facility available to the Group and Company.

The Group and Company has ordered its first electric buses, which are expected to be delivered in September 2021. The cost of the buses and the required infrastructure to support the electric bus fleet will be funded from proceeds of issuing further shares to its shareholder, which has been confirmed by Cardiff Council, and a grant confirmed by the Department of Transport, which has also been confirmed with the Department of Transport.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

During FY21 the Company entered into an agreement with Welsh Government to be provided with funding under the Bus Emergency Scheme (BES) which guaranteed funding until March 2021. The Company is currently in discussion with the Welsh Government on a second agreement for funding from 1 April 2021 to 31 July 2022 under the Bus Emergency Scheme. This is known internally as BES 2. Although the negotiations are at an advanced stage, the agreement for BES 2 funding has not been formally agreed by all parties and there remains uncertainty on the exact nature and timing of the funding.

The directors' cash flow forecast over the going concern period to 31 March 2022 includes a number of assumptions including that further BES funding will be received, the continued receipt of concession funding and Bus Services Support Grant levy, and the continued availability of the CJRS. Having consulted with stakeholders, the directors consider that the Group and Company has a realistic prospect of securing and receiving the aforementioned funding.

As a consequence, there is a material uncertainty related to the assumptions described above which may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern. In the event the Group and Company ceased to be a going concern, the adjustments would include writing down the carrying value of assets to their recoverable amount, and providing for any further liabilities that might arise.

Notwithstanding the material uncertainties described above, on the basis of sensitivities applied to the cash flow forecast and that further support can be agreed within the relevant timescales, the directors have a reasonable expectation that the Group and Company can continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of this report.

Prior year adjustment

As detailed within note 21, the company's balance sheet includes provision for outstanding insurance claims. The terms of the contract with the company's third party insurance provider are such that any claims paid out by the company over a set amount will be reimbursed to the company. During the year, the directors identified that the provision for such claims had been presented 'net' on the balance sheet, whereas they should have been accounted for 'gross' by recognising provision for the claim liability, as well as a corresponding asset for the amount to be reimbursed to the company as at 31 March 2019. Accordingly, the balance sheet at this date has been corrected so as to account for this 'gross' presentation. The impact of the adjustments on the previously reported figures is that other debtors (within current assets) and provisions (within current liabilities) have each increased by £674,000 as at 31 March 2019.

This adjustment has no impact upon net assets as at 31 March 2019, nor upon profit for the year then ended.

Adoption of new and revised standards

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

IFRS16, leases

In the current period the Group and Company have applied IFRS 16 Leases as issued by the International Accounting Standards Board (IASB) in January 2016 that is effective for an accounting period that begins on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right of use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements and the Company financial statements is described below. The date of initial application of IFRS 16 for the Group and Company is 1 April 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group and Company has applied IFRS 16 using the modified retrospective approach where right of use assets equal lease liabilities at the date of transition and accordingly there is no restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact on the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 31 March 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 31 March 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- recognises right of use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- recognises depreciation of right of use assets and interest on lease liabilities in the Group income statement;
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the Group cash flow statement.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right of use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis. Under IFRS 16, right of use assets are tested for impairment in accordance with IAS 36.

For short term leases (lease term of 12 months or less) and leases of low value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right of use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right of use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 April 2019 is 4.75%. The following table shows the operating lease commitments disclosed applying IAS 17 at 31 March 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	£'000
Operating lease commitments at 31 March 2019	903
Short term leases and leases of low value items	(353)
Effect of discounting the above amounts	(102)
Lease liabilities recognised 1 April 2019	**448**

The effect of the adoption of IFRS 16 as at 1 April 2019 is to recognise a right of use asset of £448,000 and a lease liability of £448,000. See note 14 for further details of the impact on the fixed asset value in the balance sheet.

Other amendments to Standards

In the current period, the Group and Company has applied a number of amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The Group has adopted the amendments to IAS 28 for the first time in the current period. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of long-term interests required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Group has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current period. The Annual Improvements include amendments to four Standards.

IAS 12 Income Taxes

The amendments clarify that the Group and Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group and Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The amendments clarify that when the Group and Company obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest ("PHI") in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group and Company does not remeasure its PHI in the joint operation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

The Group and Company adopted IFRIC 23 Uncertainty over Income Tax Treatments, for the period commencing 1 April 2019. This interpretation clarifies the accounting for uncertainties in income tax positions. IFRIC 23 requires the Group and the Company to measure the effect of uncertainty on income tax positions using either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of the uncertainty. The adoption of IFRIC 23 has not had any impact on the financial statements.

New and revised IFRS Standards in issue but not yet effective

At the date of approval of these financial statements, the Group and Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective;

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

Interbank offered rates ("IBOR") reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP London Inter Bank Offered Rates ("LIBOR") and other IBORs has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group and Company does not consider there to be a material exposure to the change.

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 income 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.

Revenue recognition

Rendering of services

Under FRS 15 revenue is recognised when control of a good or service transfers to the customer. The point at which goods and services are transferred to the customer is based on the fulfilment of performance obligations. As the Group has the right to consideration corresponding directly with the value of performance completed to date, customer contract revenue is recognised consistent with the amount that the Group has a right to invoice. The Group is therefore exercising the practical expedient not to explain transaction prices allocated to unsatisfied performance obligations at the end of the reporting period.

Revenue is measured at the fair value of the consideration received or receivable and is derived from the provision of the passenger transport and other 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 which is at a point in time when the service is provided, or over time in the case of a ticket that is more than one day.

Contract revenues are recognised as the services are provided over the length of the contract and based on a transactional price which is defined in the terms of the contract.

Property rental income

Property rental income is billed quarterly in advance and released to income on a monthly basis in accordance with the related contract. This is recognised as other operating income.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group and Company will comply with the conditions attached to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group and Company recognises the expenses and related costs for which the grants are intended to compensate. Government grants are recognised in the financial statement line item where the cost is charged.

Operating profit/(loss)

Operating profit/(loss) is stated before finance costs.

Inventory

Inventory is stated at the lower of cost and net realisable value. Stock will be held at cost unless a specific diminution in value is identified when a stock adjustment will be processed. Stock is issued on a first in first out basis.

Leases

The Group and Company has applied IFRS 16 using the modified cumulative retrospective approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

The Group and Company assesses whether a contract is or contains a lease, at inception of the contract. The Group and Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group and Company recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

In the event that any leases include a break clause, in calculating the value of right of use assets and corresponding lease liabilities, the Group and Company assumes that the break clause will be exercised at the first available opportunity. The Board re-evaluates all leases at the occurrence of a possible break and would only sanction the continuation of a lease beyond the break point based on the circumstances prevailing at that time. The continuation of a lease beyond a break clause would be treated as a new lease at that date.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group and Company remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group and Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right of use asset, the costs are included in the related right of use asset, unless those costs are incurred to produce inventories.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group and Company allocates the consideration in the contract to each lease component on the basis

of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group and Company has adopted the modified simple approach and accordingly comparative information has not been restated. The cumulative effect of initially applying this Standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

The Group and Company applies IAS 36 to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Accounting policy to 31 March 2019

Leases are classified as finance leases when the contracts convey the right to control the use of an identified asset for a period of time in exchange for consideration, the Group recognises lease liabilities to make lease payments, and right of use assets representing the right to use the underlying asset. This relates to leases with a term of more than 12 months, unless the underlying asset is of low value.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

For defined benefit retirement benefit schemes and defined benefit elements of other 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 costs.

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 and defined benefit elements of other 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 operated a defined contribution scheme which carries a guaranteed minimum return for its members. The liability recognised for the defined contribution scheme is the higher of the member's deferred contribution fund value at and the actuarial liability of the defined benefit underpin at the balance sheet date. The assumptions used to value the defined benefit underpin are consistent with the assumptions used in the valuation of the Cardiff City Transport Services defined benefit pension scheme. See retirement benefit costs. This scheme is closed to new members.

With the exception of current members of the Local Government Pension Scheme, other employees have either transferred to the new auto enrolment scheme or opted out.

In March 2021 the company entered a Flexible Apportionment Arrangement (FAA) in respect of the Cardiff City Transport Services Limited Pension Scheme. Under this arrangement, the company ceased to be the employer of the scheme, Cardiff City Council became the Scheme's principal employer and the sole statutory employer of the scheme. This provided the Pension Scheme Trustees with further assurances around the strength of its covenant.

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)

Insurance provision

The Group's policy is to self-insure high frequency, low value claims within the business. In addition, there are typically a smaller number of more significant claims for which cover is obtained through third party insurance policies subject to an insurance excess. Provision is made under IAS 37 Provisions, contingent Liabilities and Contingent Assets for the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date.

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.

The Group has adopted IFRIC 23 Uncertainty over Income Tax Treatments for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a Group: and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

- If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and 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 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 2019/20.

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
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

Freehold land is not depreciated.

Right of use assets are depreciated over the shorter period of the lease and the useful life of the underlying asset

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.

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 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 fixed 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.

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.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable third parties. The valuation has been assessed under a Level 2 fair value hierarchy as defined by IFRS 13.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it is 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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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 difference 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.

Impairment of financial assets (continued)

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.

Financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other financial liabilities

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

Other financial liabilities (continued)

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. Where relevant, 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 income statement for the year.

The financial statements have been prepared on the historical cost basis. 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.

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTATINTY (continued)

Critical judgements in applying the group's accounting policies

Going concern

During the year ended 31 March 2021, the Group has received contractual and direct support as a result of the coronavirus pandemic. The key fundamental principle to the basis of preparation of the financial statements is that this support will continue to be provided to the Group until passenger volumes and operated services activities return towards pre-coronavirus levels as outlined in the Going concern statement in the strategic report.

The directors have made a critical judgement in their assessment that the funding it requires to continue as a going concern will be forthcoming from the relevant stakeholders in the near term (see note 2 for further information). Accordingly, the financial statements have been prepared on a going concern basis. Not preparing the financial statements on a going concern basis would have a significant effect on the amounts recognised in the financial statements.

Funds on deposit

Funds on deposit held as non-current assets include £2,271,000 (2019: £2,091,000) held in escrow against future insured liabilities. The group expects to recover an element of this balance within one year of the balance sheet date, but as it is not possible to determine the value of the fund the company has a right to receive within this time period, the full balance is disclosed as a non-current asset.

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.

Pension assets

The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, the 31 March 2020 year-end valuation reports provided to Cardiff and Vale of Glamorgan Pension Fund include a statement that there is a material valuation uncertainty in respect of pooled property investments managed on behalf of the pension fund as at 31 March 2020.

The total value of these affected investments as at 31 March 2020 is £106.8m of which, £1.4m (1.3%) is attributable to the Company The directors have considered the material uncertainty included by the valuer and concluded that this could lead to a material change to the value disclosed as at the balance sheet date. Accordingly, management has concluded that there is a material uncertainty on the value of these properties at 31 March 2020.

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 net group defined benefit scheme and defined contribution scheme pension liability at the year-end across all three schemes is £2,740,000 (2019: £2,484,000). Sensitivity disclosures are included in note 23.

Provision for insurance claims

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

Provision is also made, using a third party's best estimate of the value to settle a claim, for incidents that are above the Group's self-insurance cap.

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

The group's provision for insurance claims at the year-end is £2,067,000 (2019: £2,152,000).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTATINTY (continued)

Impairment testing

The key sources of estimation uncertainty in relation to impairment of assets in CGUs relate to the cash flow forecasts including significant judgements in deciding what assumption to make regarding how the impact of the coronavirus pandemic might evolve over the coming months in our CGUs. In determining the fair value less cost to sell of the property plant and equipment the Directors considered 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 and recorded an impairment to reflect the write down to the price expected to be achieved.

The Directors assessed the value in use of the property, plant and equipment to be lower than their carrying value in the balance sheet, but concluded that the carrying value was not lower than the fair value less costs to sell.

Further information is included in note 14.

4. REVENUE

The group derives its revenue from contracts with customers for the provision of services over time and at a point in time. The turnover and profit/(loss) 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 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Continuing operations				
Sales of services	32,440	32,440	32,009	31,248
	32,440	32,440	32,009	31,248
Property rental income	38	38	43	43
Other operating income	489	489	513	507
	32,967	32,967	32,565	31,798

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. (LOSS)/PROFIT FOR THE YEAR

(Loss)/Profit for the year has been arrived at after charging/(crediting):

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Depreciation of property, plant and equipment	2,126	2,126	2,383	2,326
Impairment of property, plant and equipment	11,860	11,860	-	-
Gain on disposal of property, plant and equipment	(9)	(9)	(359)	(368)
Cost of inventories recognised as expense (see note 16)	979	979	964	964
Furlough income	(37)	(37)	-	-
Bus Service Support Grant income	(1,603)	(1,603)	(1,594)	(1,594)
Staff costs (see note 10)	21,382	21,382	22,168	21,676

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

7. LOSS OF PARENT COMPANY

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own income statement for the year. The company reported a loss for the financial year ended 31 March 2020 of £11,358,000 (2019: £680,000). During the year ended 31 March 2020 the company recorded an impairment charge in respect of the carrying value of the bus and motor vehicles of £11,860,000 which is included in the result for the year.

8. VALE BUSLINE LIMITED

Company

Vale Busline Limited's assets and liabilities transferred to Cardiff City Transport Services Limited on 1 April 2019 at their net book value as follows.

	1 April 2019 £'000
Bank	43
Debtors	45
Creditors	(83)
Fixed assets (note 14)	19
Total	**24**

9. AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration is as follows:	2020 £'000	2019 £'000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	115	50
Fees payable to the company's auditor and its associates for the audit of the company's subsidiary's annual financial statements	4	8
Total audit fees	119	58

Included in the auditor fee of 2020 is £28,750 billed in respect of the 2019 external audit during the year ended 31 March 2020.

	£'000	£'000
- Taxation compliance services	8	8
- Other taxation advisory services (iXBRL)	1	1
- Corporate finance advisory services	21	19
Total non-audit fees	30	28

	£'000	£'000
Fees payable to the company's auditor and its associates in respect of the company's pension schemes		
Audit	-	-

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 2020

10. STAFF COSTS

	2020 £'000	2019 £'000
Directors' emoluments (Group and Company)		
Remuneration	341	291
Pension contributions	13	27
	354	318

No directors were a member of a defined benefit pension scheme in either year.

	£'000	£'000
In respect of the highest paid director (Group and Company)		
Emoluments	82	109
Pension contributions	3	12

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

	Group 2020 No.	Company 2020 No.	Group 2019 No.	Company 2019 No.
Monthly average number of persons employed (including executive directors)				
Administration staff	60	60	60	60
Traffic	558	558	590	567
Engineering	70	70	72	72
	688	688	722	699
	£'000	£'000	£'000	£'000
Their aggregate remuneration comprised				
Wages and salaries	18,288	18,288	18,844	18,390
Social security costs	1,589	1,589	1,756	1,724
Pension costs	1,505	1,505	1,568	1,562
	21,382	21,382	22,168	21,676

The non-executive directors do not receive any emoluments for their work from the group or Cardiff City Transport Services Limited. There is no key management personnel remuneration requiring disclosure in addition to the directors' remuneration above.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

11. FINANCE COSTS

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Interest expense lease liability	142	142	215	215
Interest on loan and overdraft	78	78	-	-
Net interest expense on pension scheme	62	62	92	92
	282	282	307	307

12. TAX

	2020 £'000	2019 £'000
GROUP AND COMPANY		
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 19% (2019: 19%)	-	-
Total current tax	-	-
Deferred taxation		
Origination and reversal of temporary differences	43	168
Adjustment in respect of previous years	(11)	(160)
Effect of changes in tax rates	62	(62)
Total deferred tax	95	(54)
Total tax charge on (loss)/profit on ordinary activities	95	(54)
Equity items		
Deferred tax	(84)	284

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

	£'000	£'000
(Loss)/profit on ordinary activities before tax	(11,453)	111

	£'000	£'000
Tax on (loss)/profit on ordinary activities before tax at 19% (2019: 19%)	2,176	(21)
Factors affecting charge for the year		
Expenses not deductible	(32)	-
Amounts not recognised	(2,100)	189
Effect of tax rate changes	62	(62)
Adjustment in respect of prior years	(11)	(160)
Total tax credit/(charge) for the year	95	(54)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

12. TAX (continued)

In addition to the amount charged/(credited) to the income statement, a credit of £84,000 (2019: charge of £284,000) relating to tax has been recognised in other comprehensive income.

The Finance Act 2020, which was substantively enacted on 17 March 2020, reversed a proposed reduction in the main rate of corporation tax to 17% from 1 April 2020 and maintained it at 19%. Deferred tax assets and liabilities have therefore been calculated using the main rate of corporation tax of 19% which is the rate substantively enacted at the balance sheet date. Future rate increases would further increase the deferred tax balances recognised but the actual impact will be dependent on the deferred tax position at the time. As announced on 3 March 2021, the main rate of corporation tax for the financial year beginning 1 April 2023 will rise to 25%. Legislation in the Finance Bill 2021 is expected to set the rate at 25% from 1 April 2023. As the change in tax rate had not been substantively enacted at the balance sheet date, it has not been used to calculate the deferred tax. The change in tax rate is not expected to materially change the deferred tax balances.

Deferred tax assets of £2,100,000 in respect of losses carried forward and timing differences on fixed assets have not been recognised (2019: £0) as there is insufficient evidence on which to recognise the asset at the balance sheet date.

13. DIVIDENDS (GROUP AND COMPANY)

No dividend has been approved for 2020 (2019: £nil).

14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

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 2018	5,550	6,571	34,748	46,869
Additions	-	248	7	255
Disposals	(400)	-	(13)	(413)
At 31 March 2019	5,150	6,819	34,742	46,711
Transfer to right of use asset	-	-	(24,796)	(24,796)
At 1 April 2019	5,150	6,819	9,946	21,915
Additions	-	62	-	62
Other adjustments	-	-	(45)	(45)
At 31 March 2020	5,150	6,881	9,901	21,932
Depreciation				
At 1 April 2018	425	4,848	19,783	25,056
Charge for the year	102	406	1,872	2,380
Disposals	(26)	-	(4)	(30)
At 31 March 2019	504	5,254	21,651	27,409
Transfer to right of use asset			(13,165)	(13,165)
Charge for the year	102	376	174	652
Impairment of assets	44	1,230	1,278	2,552
Other adjustments	-	21	(37)	(16)
At 31 March 2020	650	6,881	9,901	17,432
Net book value				
At 31 March 2020	4,500	-	-	4,500
At 31 March 2019	4,646	1,565	13,091	19,302
At 1 April 2018	5,125	1,723	14,965	21,813

Right of use assets

On 1 April 2019 right of use assets in respect of leased buses were transferred at net book value to right of use asset – see page 42.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment review

The Group reviews property, plant and equipment at each reporting period end for indicators of impairment. Where indicators of impairment are identified, the recoverable amounts of the cash-generating units ('CGU') are determined from the higher of fair value less cost to sell and value in use calculations. The recoverable amount was compared to the assets' carrying values at 31 March 2020. For the purpose of the impairment review, the business is considered to be one cash generating unit.

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.

The directors have assessed the impairment under a fair value less costs to sell (FVLCTS) approach, rather than the IAS 36 'Impairment of assets' value in use method. This approach considers the value that a potential Market Participant may acquire the Group's assets.

An impairment charge of £11,860,000 was identified as part of the Directors' impairment review of the cash generating unit. Fair value less cost to sell for the land and buildings has been determined with reference to a third party valuation on the site on an existing use basis. The fair value less cost to sell of the buses has been determined with reference to a value between a willing seller and buyer of similar buses in a similar condition. A market value could not be determined for certain buses in the fleet because a willing buyer and seller could not be identified, and accordingly the fair value is considered to be £nil.

The valuation for the freehold land and buildings represents the price achievable in the open market on a sale by private treaty, as existing as at 31 March 2020. This valuation equates to the annual Market Rent and a yield of 7.50%. The valuation has been arrived at having regard to other comparable sales of similar properties in Cardiff, and provided by a RICS registered valuer.

The valuation has been assessed under a Level 2 fair value hierarchy as defined by IFRS 13.

Security

Freehold land and buildings with a carrying amount of £4,500,000 (2019: £4,646,000) have been pledged to secure the bank borrowings of the group. The group is not permitted to pledge these assets as security for other borrowings or to sell them to another entity. As set out in the subsequent events note – the borrowings have been repaid in March 2021.

The group's lease liabilities (see note 20) are secured by the lessors' title to the leased assets, which have a carrying amount of £8,550,070 (2019: £11,664,000).

Other adjustments

Other adjustments include reclassification between asset categories and additional depreciation was charged to align disclosures with the Fixed Asset Register of the Group and Company.

14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

PROPERTY PLANT AND EQUIPMENT

Company	Freehold land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Buses and motor vehicles £'000	Total £'000
Cost				
At 1 April 2018	5,550	6,551	34,667	46,768
Additions	-	248	7	255
Disposals	(400)	-	-	(400)
At 31 March 2019	5,150	6,799	34,674	46,623
Transfer to right of use asset	-	-	(24,796)	(24,796)
At 1 April 2019	5,150	6,799	9,878	21,827
Additions	-	62	-	62
Additions from subsidiary	-	19	-	19
Other adjustments	-	1	23	24
At 31 March 2020	5,150	6,881	9,901	21,932
Depreciation				
At 1 April 2018	425	4,841	19,773	25,039
Charge for the year	105	402	1,819	2,326
Disposals	(26)	-	-	(26)
At 31 March 2019	504	5,243	21,592	27,339
Transfer to right of use asset	-	-	(13,165)	(13,165)
Charge for the year	102	376	174	652
Impairment of assets	44	1,230	1,278	2,552
Other adjustments	-	32	22	54
At 31 March 2020	650	6,881	9,901	17,432
Net book value				
At 31 March 2020	4,500	-	-	4,500
At 31 March 2019	4,646	1,565	13,091	19,302
At 1 April 2018	5,125	1,723	14,965	21,813

See 'Group' note on page 40 for further information in respect to property, plant and equipment.

Tangible fixed assets at a cost of £19,000 was recognised on the hive up of trade and assets from Vale Busline Limited on 1 April 2019 – see note 8.

14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

RIGHT OF USE ASSETS

Group and Company	Freehold land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Buses and motor vehicles £'000	Total £'000
Cost				
At 1 April 2019 on adoption of IFRS 16	448	-	-	448
Transfer from property, plant and equipment	-	-	24,796	24,796
At 1 April 2019	448	-	24,796	25,244
Additions	40	28	-	68
At 31 March 2020	488	28	24,796	25,312
Depreciation				
Transfer from property, plant and equipment	-	-	13,165	13,165
Charge for the year	65	4	1,405	1,474
Impairment of assets	423	24	8,861	9,308
At 31 March 2020	488	28	23,431	23,947
Net book value				
At 31 March 2020	-	-	1,365	1,365

Right of use assets

The Group leases several assets including buildings, plant and machinery and buses. The average lease term is 7 years. The maturity of lease liabilities is presented in note 20.

The Group reviews right of use assets at each reporting period end for indicators of impairment. Where indicators of impairment are identified, the recoverable amounts of the cash-generating units ('CGU') have been determined from the assets' carrying value based on market valuation available at 31 March 2020 and are compared to the assets value in use calculation.

15. INVESTMENTS (COMPANY)

Subsidiary undertaking	2020 £000	2019 £'000
Cost and net book value		
Ordinary shares in subsidiary undertaking (100% of shares issued)	1	1

The company's only wholly-owned subsidiary at year-end, Vale Busline Limited, is registered in England and Wales. since September 2016. During the 2020 year there was no trading through Vale Busline Limited with some assets and liabilities transferred into Cardiff City Transport Services Limited as disclosed under note 8. The registered office of the company is Leckwith Depot and Offices, Sloper Road, Leckwith, Cardiff CF11 8TB.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

16. INVENTORY

Group and Company	2020 £'000	2019 £'000
Raw materials and consumables	300	269
Derv fuel inventory	142	59
	442	328

The cost of inventories recognised as expenses during the year was £979,000 (2019: £964,000).

17. FUNDS ON DEPOSIT

£2,278,000 (2019: £2,098,000) is held in accounts that are not instant access. This includes £2,278,000 (2019: £2,091,000) held in an escrow account against future insured liabilities.

18. TRADE AND OTHER RECEIVABLES

	Group 2020 £'000	Company 2020 £'000	Group 2019 (Restated) £'000	Company 2019 (Restated) £'000
Amounts falling due within one year				
Trade receivables	343	343	303	303
Amounts owed by parent undertaking	164	164	155	131
Amounts owed by subsidiary undertakings	-	26	-	-
Other receivables	1,226	1,226	1,045	1,025
Prepayments and accrued income	-	-	22	22
Other taxation	141	141	149	149
	1,874	1,900	1,674	1,630

Trade receivables are non-interest-bearing and are generally on 30-day terms. Amounts owed by parent undertaking relates to services provided to Cardiff Council or bodies wholly owned by Cardiff Council are subject to normal payment terms.

As at 31 March 2020, the company's trade receivables of £343,000 (2019: £303,000) were due and not impaired. The ageing analysis of past due but not impaired receivables is as follows:

	2020 £'000	2019 £'000
1-30 days	275	257
31-60 days	43	20
61-90 days	-	-
91-120 days	20	2
120+ days	5	24
Total	343	303

In determining the recoverability of a trade receivable, the company 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 number of parties that the amounts are due from. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Amounts owed by subsidiary undertakings are overdue but not impaired as this will be payable from cash at bank at the subsidiary.

Other receivables includes receivables in respect of insurance claims of £815,000 (2019: £647,000) which are due in greater than one year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

19. TRADE AND OTHER PAYABLES

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Trade payables	1,070	1,070	1,065	1,062
Amounts owed to related parties	5	5	-	-
Other payables including taxation and social security	358	358	864	784
Accruals	922	971	844	844
	2,355	2,404	2,773	2,690

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 7 days for fuel and, except for a small number of specific arrangements, 30 days for other creditors. Financial Risk Management policies are in place to ensure that all payables are paid within the pre-agreed credit terms. Amounts owed to related parties relate to goods and services provided by Cardiff Council or bodies wholly owned by Cardiff Council and subject to normal payment terms.

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

20. LEASE LIABILITIES

GROUP AND COMPANY

Lease liabilities are determined by calculating discounted lease payments using the Group's incremental borrowing rates at 31 March 2020. The discount rates applied range between 4.5% to 9.4% with a weighted average rate of 8.3%. These rates have been determined based on interest implied in the lease.

	£'000
Maturity of lease liabilities	
2021	1,407
2022	1,258
2023	774
2024	480
2025	46
Onwards	193
	4,158

	£'000
Analysed as:	
Current	1,407
Non current	2,751
	4,158

	£'000
Amounts recognised in profit and loss	
Depreciation expense on right of use assets	1,474
Impairment of right of use asset	9,308
Interest expense on lease liabilities	142
Expense relating to short term leases	9
Expense relating to leases of low value assets	1

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

21. PROVISIONS

Group and Company	2020 £'000	2019 (Restated) £'000
Insurance provision	2,067	2,152

The insurance provision is split between current liabilities and non-current liabilities at £1,392,000 (2019 Restated: £1,324,000) and £675,000 (2019: £828,000) 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 2019 (Restated) £'000	Charged to income statement £'000	Amounts paid £'000	Balance at 31 March 2020 £'000
Insurance provision	2,152	1,219	(1,304)	2,067

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

	Balance at 1 April 2019 £'000	Credit (Charge) to reserves/ equity £'000	(Charge) to income statement £'000	Balance at 31 March 2020 £'000
Capital allowances in excess of depreciation	(160)	-	223	63
Deferred tax on the revaluation reserve	(663)	(51)	-	(714)
Other	(10)		10	-
Deferred tax liabilities	(833)	(51)	223	(651)
Tax losses	216	-	(216)	-
Deferred tax on the defined benefit pension scheme	308	134	78	520
Other timing differences	119	1	10	130
Other	10		(10)	-
Deferred tax assets	653	135	(128)	650
Net deferred tax	(180)	84	95	(1)

A deferred tax asset of £714,000 and a deferred tax liability of £714,000 are recorded on the balance sheet.

Deferred tax assets of £2,100,000 in respect of losses carried forward and timing differences on fixed assets have not been recognised (2019: £0) as there is insufficient evidence on which to recognise the asset at the balance sheet date.

23. PENSIONS

Group and Company

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 money purchase pension scheme was closed on 31 March 2019. Accordingly, no costs were charged in the income statement for the money purchase scheme (2019: £756,000) representing contributions payable during the year. At 31 March 2020, no contributions (2019: £76,000) are outstanding in respect of the current reporting period.

Cardiff City Transport Services Limited Pension Scheme

Since June 2001, the Cardiff City Transport Services Limited Pension Scheme (defined benefit section) has been closed to new members and also to future accrual. The defined contribution section closed to new entrants from April 2013, from which date a money purchase section 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 31 March 2018. For the purpose of the valuation of the defined benefit section, it was assumed that the investment returns 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 returns 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 regarding the assets of the fund.

The valuation showed that the total market value of the scheme's assets, net of final salary members' additional voluntary contributions (AVCs), was £41.2m 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 19.5% of pensionable pay from 1 April 2019. 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 2019 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 method.

The principal assumptions used by the actuary were:

	At 31 March 2020	At 31 March 2019
Rate of increase in salaries	N/A	N/A
Discount rate	2.2% per annum	2.3% per annum
Inflation assumption (RPI)	2.7% per annum	3.2% per annum
Inflation assumption (CPI)	1.7% per annum	2.2% per annum
Pension increases (CPI5)	1.7% per annum	2.2% 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 CMI2018 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 19.7 years (2019: 20.1) if they are male and for a further 21.6 years (2019: 22.0) 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 20.8 years after retirement (2019: 21.2) if they are male and for a further 22.8 years after retirement (2019: 23.2) if they are female.

23. PENSIONS (continued)

The assets in the fund were:

	2020 Fair value £'000	2019 Fair value £'000
Equities	-	6,184
Diversified growth	7,995	12,081
Alternatives	-	3,763
Cash and LDI	12,671	8,688
Bonds	21,124	10,128
	41,790	40,844

The net pension scheme surplus measured under IAS 19 comprised the following:

	At 31 March 2020 £'000	At 31 March 2019 £'000
Total market value share of assets	41,790	40,844
Present value of scheme liabilities	(36,158)	(38,915)
Net IAS 19 scheme surplus	5,632	1,929

	At 31 March 2020 £'000	At 31 March 2019 £'000
Analysis of amount charged to operating (loss)/profit		
Administration	(534)	(359)
Current service cost	-	(556)

	£'000	£'000
Analysis of amount credited to interest receivable		
Expected return on pension scheme assets	919	976
Interest on pension scheme liabilities	(876)	(981)
Net finance cost	43	(5)

Of the expense (service cost) for the year, £Nil (2019: £556,000) has been included in the income statement as cost of accrual and £534,000 (2019: £359,000) 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 2020 £'000	At 31 March 2019 £'000
Actuarial gain recognised in statement of comprehensive income	3,753	1,953

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 2020 £'000	At 31 March 2019 £'000
Opening defined benefit obligation	38,915	38,444
Current service cost	-	556
Past service cost	-	540
Interest cost	876	981
Re-measurement losses/(gains):		
Actuarial gains(losses)arising from changes in assumptions	(1,969)	929
Contributions from plan participants	-	120
Benefits paid	(1,664)	(1,880)
Curtailments	-	(775)
Closing defined benefit obligation	36,158	38,915

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

	At 31 March 2020 £'000	At 31 March 2019 £'000
Opening fair value of plan assets	40,844	38,060
Interest income	919	976
Re-measurement gains/(losses):		
Actuarial gains/(losses) on plan assets	1,784	2,882
Contributions from the employer	441	1,045
Contributions from plan participants	-	120
Benefits paid	(1,664)	(1,880)
Others - non-investment expenses	(534)	(359)
Closing fair value of plan assets	41,790	40,844

The company continued to pay deficit contributions of £36,753 per month during the 2019/20 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 31 March 2021.

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.

23. PENSIONS (continued)

Cardiff City Transport Services Limited - Defined Contribution Scheme

The defined contribution scheme carries a minimum guaranteed return and accordingly is accounted for under IAS 19.

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

	At 31 March 2020 £'000	At 31 March 2019 £'000
Total fair value of defined contribution section assets	12,337	12,238
Defined contribution minimum obligation	(12,489)	(12,914)
Net IAS 19 scheme deficit	(152)	(676)

	£'000	£'000
Analysis of amount credited to interest receivable		
Interest income on pension scheme assets	272	298
Interest cost on defined contribution minimum obligation	(287)	(305)
Net finance expense	(15)	(7)

	£'000	£'000
Analysis of amount recognised in statement of comprehensive income		
Actuarial loss recognised in statement of comprehensive income	539	(677)

Defined Contribution Scheme (continued)

Movements in the value of defined contribution section minimum obligation in the year were as follows:

	At 31 March 2020 £'000	At 31 March 2019 £'000
Opening defined contribution min. obligation	12,914	12,018
Interest cost	287	305
Benefits paid	(838)	(543)
Net change in funds	960	391
Actuarial (gains)/losses	(834)	743
Closing defined contribution section minimum obligation	12,489	12,914

Movements in the fair value of the defined contribution section assets in the year were as follows:

Opening fair value of defined contribution section assets	12,238	11,416
Interest income	272	298
Contributions from the employer	-	402
Contributions from plan participants	-	208
Benefits paid	(838)	(543)
Net change in funds	960	391
Actuarial (losses)/gains	(295)	66
Closing fair value of defined contribution section assets	12,337	12,238
Net defined contribution section liability	152	676

23. PENSIONS (continued)

Cardiff City Transport Services Limited - Defined Contribution Scheme (continued)

The shortfall identified from the actuarial valuation compliant with IFRS and FRS 101 has been provided for in the accounts as an additional pension liability funded from retained earnings and shown in the statement of comprehensive income.

Liabilities are based on an assessment of actual membership data as at 31 March 2020 provided by Quantum Advisory, the scheme administrators. The market yields used to derive the financial assumptions have been extracted from the online database held and maintained by Reuters. Asset valuation has been based on actual fund values (less AVCs) as at 31 March 2020 provided by Quantum Advisory. The assumptions used are consistent with those referred to above for the Cardiff City Transport Services Limited defined benefit pension scheme.

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	0.6
Inflation increased by 0.1% pa	0.4
Members assumed to live one year longer (-1 applied to the age rating)	1.1

The government has previously consulted 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 the IAS 19 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 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 company to manage its risks from prior periods.

Cardiff City Transport Services Limited Pension Scheme Triennial Valuation

- The company is currently in discussion with the pension trustees around the Cardiff City Transport Services defined benefit and defined contribution schemes triennial valuation as at 31 March 2018. Typically, the pension scheme triennial valuation would have been agreed within 15 months of the valuation date (June 2019). However, at the time of preparing the financial statements, the valuation is currently being finalised as part of the Flexible Apportionment Arrangement (FAA) agreed with Cardiff Council on the 3rd March 2021. We expect the 31 March 2018 triennial valuation to be concluded in the near future.

23. PENSIONS (continued)

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 2019.

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.

The most recent completed valuation was carried out as at 31 March 2019, 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 2019. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The contribution rates certified for the company at the 31 March 2019 valuation are 25.4% of pensionable pay.

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 2020	At 31 March 2019
Rate of increase in salaries	3.1% per annum	2.2% per annum
Discount rate	2.3% per annum	2.6% per annum
Rate of increase to pensions in payment	2.1% per annum	2.2% per annum
Rate of increase to deferred pensions	2.1% per annum	2.2% per annum
Rate of inflation (RPI)	2.7% per annum	3.2% per annum
Rate of inflation (CPI)	2.1% per annum	2.2% 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 22.2 years (2019: 22.2) if they are male and for a further 24.6 years (2019: 24.1) if they are female. For a member who is 45 at the valuation date and retires at age 65 the assumptions are that they will live on average for a further 23.2 years after retirement (2019: 23.2) if they are male and for a further 26.0 years after retirement (2019: 25.3) if they are female.

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

	2020 Fair value £'000	2019 Fair value £'000
Equities	17,874	19,830
Government bonds	1,860	3,331
Corporate bonds	2,561	3,424
Property	4,260	2,397
Cash	377	467
Other assets	28	1,681
	26,960	31,130

23. PENSIONS (continued)

Cardiff and Vale of Glamorgan Pension Fund (continued)

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

	At 31 March 2020 £'000	At 31 March 2019 £'000
Total market value share of assets	26,960	31,133
Present value of scheme liabilities	(35,180)	(34,870)
Net IAS 19 scheme deficit	(8,220)	(3,737)

	£'000	£'000
Analysis of amount charged to operating loss/ (profit)		
Current service cost	(110)	(160)
Total operating charge	(110)	(160)

	£'000	£'000
Analysis of amount credited to interest receivable		
Expected return on pension scheme assets	790	770
Interest on pension scheme liabilities	(880)	(850)
Net finance expense	(90)	(80)

	£'000	£'000
Analysis of amount recognised in statement of comprehensive income		
Actuarial loss recognised in statement of comprehensive income	(4,360)	(410)

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

	At 31 March 2020 £'000	At 31 March 2019 £'000
Opening defined benefit obligation	34,870	33,470
Current service cost	110	160
Interest cost	880	850
Actuarial losses arising from changes in financial assumptions	1,020	1,710
Contributions from plan participants	20	30
Benefits paid	(1,720)	(1,350)
Closing defined benefit obligation	35,180	34,870

23. PENSIONS (continued)

Cardiff and Vale of Glamorgan Pension Fund (continued)

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

	At 31 March 2020 £'000	At 31 March 2019 £'000
Opening fair value of plan assets	31,133	30,270
Interest income	790	770
Actuarial gains and losses arising from changes in financial assumptions	(3,340)	1,300
Contributions from the employer	80	113
Contributions from plan participants	20	30
Benefits paid	(1,720)	(1,350)
Closing fair value of plan assets	26,963	31,133

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 2020 and the projected service cost for the period ending 31 March 2021 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)	34.76	35.18	35.64
% change in present value of total obligation	-1.2%		1.3%
Projected service cost (£m)	0.12	0.12	0.12
Approximate % change in projected service cost	-1.8%		1.9%

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)	35.22	35.18	35.14
% change in present value of total obligation	0.1%		-0.1%
Projected service cost (£m)	0.12	0.12	0.12
Approximate % change in projected service cost	0.0%		0.00%

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)	35.60	35.18	34.79
% change in present value of total obligation	1.2%		-1.1%
Projected service cost (£m)	0.12	0.12	0.12
Approximate % change in projected service cost	1.9%		-1.8%

23. PENSIONS (continued)

Cardiff and Vale of Glamorgan Pension Fund (continued)

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)	36.34	35.18	34.02
% change in present value of total obligation	3.3%		-3.3%
Projected service cost (£m)	0.12	0.12	0.12
Approximate % change in projected service cost	3.9%		-3.8%

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

The total net pension liability measured under IAS 19 for the defined benefit schemes is as follows:

The company	**2020** **£'000**	**2019** **£'000**
Cardiff City Transport Scheme – defined benefit scheme	5,632	1,929
Cardiff City Transport Scheme – defined contribution scheme with defined benefit underpin	(152)	(676)
Cardiff and Vale of Glamorgan Pension Fund	(8,220)	(3,737)
Total	(2,740)	(2,484)

24. SHARE CAPITAL

The company	**2020** **£'000**	**2019** **£'000**
Allotted, authorised, called up and fully paid		
4,618,100 Ordinary shares of £1 each	4,618	4,618

The company has one class of ordinary shares which carry no right to a fixed income.

In March 2021, the company issued 7,000,000 £1 shares in return for £7m in cash. The proceeds were used to repay the loan in full and the remaining proceeds used to fund the business' costs.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

25. REVALUATION RESERVES

	Properties revaluation reserve £'000
Balance at 1 April 2018	3,141
Transfer between reserves on revaluation of property	(22)
Deferred tax on revaluation of property	30
Balance at 31 March 2019	3,149
Transfer between reserves on revaluation of property	(22)
Deferred tax on revaluation of property	70
Balance at 31 March 2020	3,197

26. RETAINED EARNINGS

	Group Retained earnings £'000	Company Retained earnings £'000
Balance at 1 April 2018	691	1,379
Profit/(loss) for the year	57	(680)
Other comprehensive expense/(income) for the year	545	545
Transfer between reserves on revaluation of property	22	22
Balance at 31 March 2019	1,315	1,266
Loss for the year	(11,358)	(11,358)
Other comprehensive loss for the year	(89)	(89)
Transfer between reserves on revaluation of property	22	22
Balance at 31 March 2020	(10,110)	(10,159)

27. NOTES TO THE CASH FLOW STATEMENT

	2020 £'000	2019 £'000
Operating (loss)/profit	(11,171)	418
Adjustment for:		
Depreciation of property, plant and equipment	2,126	2,383
Impairment of assets	11,860	-
(Loss) on sale of property, plant and equipment	(9)	(359)
Adjustment for pension funding	190	(842)
(Increase)/Decrease in funds on deposit	(180)	300
Operating cash flows before movements in working capital	2,816	1,900
Increase in inventories	(114)	(80)
Increase in receivables	(848)	5
Decrease in payables	144	(631)
Cash generated by operations	1,998	1,194
Income tax paid	-	-
Net cash inflow from operating activities	1,998	1,194

Net cash from operating activities before tax can be analysed as follows:	**£'000**	**£'000**
Continuing operations	1,998	1,194

Cash and cash equivalents	**£'000**	**£'000**
Cash and cash equivalents	66	-
Bank overdraft	-	(1,172)

Analysis of net debt	**£'000**	**£'000**
Cash and cash equivalents/(overdraft)	66	(1,172)
Funds on deposit	2,278	2,098
Loans	(1,500)	-
Lease liabilities	(4,159)	(5,559)
	(3,315)	(4,633)

Analysis of changes in net debt	**£'000**	**£'000**
Opening net debt:	(4,633)	(5,707)
Net increase /(decrease) in cash and bank balances	1,238	(521)
Net increase/(decrease) in funds on deposit	180	(300)
New Loans	(1,500)	-
Net decrease/(increase) in lease liabilities	1,400	1,895
Closing net debt	(3,315)	(4,633)

27. NOTES TO THE CASHFLOW STATEMENT (continued)

Funds on deposit include £2,271,000 of funds held in escrow to fund the settlement of current and future insurance claims. During the year, £1,085,000 was added to fund present and future claims risks relating to 2019/20, £905,000 was paid out in settlement of claims and interest charges during the year.

Changes in liabilities arising from financing activities	1 April 2019 £'000	Financing cash flows £'000	Non cash entries £'000	31 March 2020 £'000
Financial Liabilities				
Bank loan	-	1,500	-	1,500
Lease liabilities	1,948	(502)	-	1,446
Total liabilities from financing activities	1,948	998	-	2,946

28. CATEGORIES OF FINANCIAL INSTRUMENTS

The Group and Company does not have any derivative financial instruments.

Financial assets and liabilities are carried at amortised cost. The fair value of the Group's financial assets and liabilities (including cash, trade and other receivables, trade and other payables) approximate their fair value.

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Financial assets				
Cash and cash equivalents	66	40	-	-
Trade receivables	343	343	303	303
Amount owed by parent undertaking	164	164	155	131
Amount owed by subsidiary	-	26	-	-
Financial liabilities				
Trade and other payables	(2,355)	(2,404)	(2,773)	(2,690)
Bank overdraft	-	-	(1,172)	(1,243)
Bank Loan	(1,500)	(1,500)	-	-
Lease liabilities	(4,158)	(4,158)	(5,559)	(5,559)

Financial risk management

The Group is exposed to financial risks including liquidity risk, credit risk and certain market-based risks principally being the effects of changes in fuel prices. The Board manages these risks.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting obligations associated with financial liabilities. The objective of the Group's liquidity risk management is to ensure sufficient committed liquidity resources exist. The Company and Group had a loan of £1.5m at 31 March 2020, where the associated covenant had been breached and accordingly the loan as disclosed as a current liability. The loan has been repaid post year end. See note 2 for further information on the going concern principle and note 33 for subsequent note.

The expected maturity of trade and other payables, borrowings and lease liabilities are included in notes 19, 20 and 29.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

28. CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

Currency risk

The Group has minimal currency risk.

Interest rate risk

The Group's borrowings and lease liabilities are at a fixed rate of interest.

Fuel price risk

The Group makes a commitment for its fuel purchases at the start of the financial year. See note 31 for further information.

29. BORROWINGS

During March 2019 the group replaced its overdraft facility with a secured £1,500,000 loan repayable over three years and an additional £500,000 overdraft facility with the same bank. The loan is subject to certain covenants, which are tested annually. The Company breached its loan covenant at 31 March 2020 and accordingly the loan is disclosed as a current liability. Following the receipt of £7m in March 2021 in return for 7,000,000 £1 ordinary shares from the shareholder Cardiff Council, the loan has been re paid in full in March 2021.

30. CONTRACTUAL COMMITMENTS

At 1 April 2020 the company had entered into a fixed price contract to buy 365,000 litres of fuel at a price of 102.75 pence per litre.

The company also has contractual commitments for low value leases of £18,000 in total, £14,000 within one year.

31. RELATED PARTY TRANSACTIONS

The City of Cardiff Council is a related party as it is the Company's 100% shareholder.

During the year, the company received £9,471,000 (2019: £10,366,000) from The City of Cardiff Council £8,564,000 of which was received under the WAG Across Wales Over 60 Free Travel scheme (2019: £8,958,000) which is receipt for provision of concession services for customers over the age of 60. The company incurred trading expenses of £319,000 (2019: £294,000), which included payments for rates, and other costs. At 31 March 2020, there was a balance of £5,000 (2019: £134,609) owed to The City of Cardiff Council and a balance of £164,000 (2019: £22,583) owed to Cardiff City Transport Services Limited.

Transaction with the company's subsidiary are disclosed in Note 8.

32. ULTIMATE CONTROLLING PARTY

The immediate and ultimate controlling party is Cardiff Council.

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

Both Cardiff City Transport Services Limited is registered at Leckwith Depot and Offices, Sloper Road, Leckwith, Cardiff CF11 8TB.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

33. POST BALANCE SHEET EVENTS

In September 2020 the company entered consultation with its employees with 112 employees leaving the company by November 2020 at a cost of £1.1m.

On 20 November 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. The Group and Company's actuaries are currently estimating the impact on the Group and Company's pension schemes and will be recorded in the Financial Statements for the year ended 31 March 2021.

In March 2021 the company entered a Flexible Apportionment Arrangement (FAA). Under this arrangement, the company ceased to be the employer of the Cardiff City Transport Services scheme and Cardiff City Council became the Scheme's principal employer and the sole statutory employer of the scheme. The Group and Company continues to be liable for the pension scheme and will continue to consolidate the defined benefit pension schemes in its financial statements.

In March 2021, the company issued 7,000,000 £1 shares in return for £7m in cash. The proceeds were used to repay the loan that was outstanding in full and the remaining proceeds will be used to fund the business' costs over the short and medium term.

The Company has developed a proposal in conjunction with Cardiff Council to enhance its capital investment programme in line with Cardiff Council's Clean Air priorities as laid out in its White Paper. The proposed use of electric buses and a joined-up approach to city transport linking bus services with rail, tram and other service providers is all positive for the Company. The cost of the buses and the required infrastructure to support the electric bus fleet will be funded from proceeds of issuing further shares to its shareholder confirmed by Cardiff Council, and a grant confirmed from the Department of Transport.