

COMPANY REGISTRATION NUMBER: 02001229

CARDIFF CITY TRANSPORT SERVICES LIMITED
FINANCIAL STATEMENTS
31 MARCH 2022



CARDIFF CITY TRANSPORT SERVICES LIMITED
FINANCIAL STATEMENTS
Year ended 31 March 2022

CONTENTS	PAGE
Officers and professional advisers	1
Strategic report	2
Directors' report	7
Independent auditor's report to the members	10
Consolidated profit and loss account	15
Consolidated balance sheet	16
Balance sheet	17
Consolidated statement of changes in equity	18
Company statement of changes in equity	19
Consolidated cash flow statement	20
Notes to the financial statements	21

CARDIFF CITY TRANSPORT SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr D J Conway
Ms S Davies - (non-executive)
Mr P G Dyer
Mr G M Hill-John - (non-executive)
Mr O L Jones - (non-executive)
Mr C N Lay - (non-executive)
Ms L Phillips - (non-executive)
Ms E C Sandrey - (non-executive)
Mr K Singh - (non-executive)
Mr G Stevens
Mr M J Trodd

Company secretary

Delyth Evans

Registered office

Leckwith Depot And Offices
Sloper Road
Leckwith
Cardiff
CF11 8TB

Auditor

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

Solicitors

Capital Law
Capital Building
Tyndall Street
Cardiff
CF10 4AZ

Eversheds Sutherland
1 Callaghan Square
Cardiff
CF10 5BT

CARDIFF CITY TRANSPORT SERVICES LIMITED

STRATEGIC REPORT

Year ended 31 March 2022

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 to £20,318,000 (2021: £10,910,000) for the year ended 31 March 2022 with passenger numbers increasing post pandemic. The company delivered a gross loss of £180,000 (2021: £7,000).

During the year, the company made investments of £13,483,000 (2021: £492,000), relating to the purchase of fleet replacement.

The directors have reviewed the carrying value of the assets for impairment under the value in use and fair value less cost to sell. The value in use exceeds the fair value less costs to sell and as the value to the property, plant and equipment was lower than the carrying value in the balance sheet, an impairment reversal of £3,500,000 has been included in the year.

The company continued to be impacted during the year by the Covid-19 pandemic and the necessary measures put in place by government, which have affected travel patterns since March 2020. The company continued to prioritise the safety and well-being of our people and our customers during this unprecedented period.

During FY22 the Company entered into a further agreement with Welsh Government to be provided with funding under the Bus Emergency Scheme (BES) which guaranteed funding until July 2022. This support received during the Covid 19 pandemic has been included in other operating income during FY22. The company has now entered a third agreement with the Welsh Government for funding from 1 August 2022 to 31 March 2023 under the Bus Emergency Scheme, known as BES 3.

In September 2021, the company issued a further 6.6m ordinary shares in return for £6.6m from our Shareholder, to meet the Group and Company's cash requirements for investment in fleet and financial viability of the Group going forward.

Operating profit for the current year was £4,089,000 (2021: £12,880,000), which includes a reversal of an impairment of assets amount of £3,500,000. The profit after taxation was £3,385,000 (2021: profit after tax of £12,329,000).

The balance sheet on page 16 of the financial statements shows the net assets of £24,044,000 (2021: net assets £14,059,000).

CARDIFF CITY TRANSPORT SERVICES LIMITED

STRATEGIC REPORT *(continued)*

Year ended 31 March 2022

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:

Passenger numbers

Risk: demand for the transport services due to changes in people's working patterns, shopping habits and/or other preference could change and affect the business' financial performance and financial position.

Mitigation: the Group monitors trends in revenue and passenger numbers across the business in forecasting future revenue and passenger numbers. This is embedded in the overall business plans and a detailed cash flow forecast to ensure that 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.

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 continued to use fixed price fuel contracts wherever possible to manage the impact on its operations of large movements in fuel prices during the year. 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.

Labour Costs

Risk: The largest component of the group's operating costs is employee 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.

Mitigation: The group agreed a three-year pay deal which is agreed until April 2022. Focus has continued 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 continues to look at improving 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

CARDIFF CITY TRANSPORT SERVICES LIMITED

STRATEGIC REPORT *(continued)*

Year ended 31 March 2022

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 flexible service during the year. For the 2021/22 year the company entered into a further agreement with Welsh Government under the Bus Emergency Scheme (BES2) to provide additional funding to continue the service required during the period up to July 2022. Further BES funding has now been agreed under BES 3 to continue to assist the business until March 2023.

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 during 2021/22 included the purchase of 36 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 received a receipt of £6.6m in 2021/22 in return for 6,600,000 £1 ordinary shares from the shareholder Cardiff Council.

CARDIFF CITY TRANSPORT SERVICES LIMITED

STRATEGIC REPORT *(continued)*

Year ended 31 March 2022

FUTURE DEVELOPMENT

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. Safety remains our absolute priority, in order to welcome back our customers following the pandemic and for them to feel safe and confident to travel.

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 2022 and will continue to impact the business until the new bus station for the City is operational. Provisions continue to be in place for alternative pick-up locations and parking for the buses in the city centre while this development is being completed.

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 took delivery of 36 electric buses during 2021/22 which become operational by the end of the year. A number of the Euro 5 fleet have also been retrofitted to be Euro 6 emission compliant during 2021/22.

The Scrutiny and Overview Committee (SOC) which comprises of four Non-executive Directors and the Managing Director continued to review and contribute to the development of the Business Plan and any strategic, change or action plans, during FY 22 and will continue to monitor progress in the future.

GOING CONCERN

Following the Covid -19 pandemic predicting the likely return of passenger numbers over the foreseeable future continues to be difficult. 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 and during the year ended 31 March 2023 we have planned for a number of scenarios.

During FY22 the Company entered into an agreement with Welsh Government to be provided with funding under the Bus Emergency Scheme (BES2) which guaranteed funding until July 2022. The Company has now entered a third agreement with the Welsh Government for funding from 1 August 2022 to 31 March 2023 under the Bus Emergency Scheme, known as BES 3.

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 2029 and a detailed cash flow forecast for the period to 31 March 2023 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.

The directors' cash flow forecast over the going concern period to 31 March 2024 includes the BES 3 funding will be received, the continued receipt of concession funding and Bus Services Support Grant levy. Having consulted with stakeholders, the directors consider that the Group and Company has a realistic prospect of securing and receiving the aforementioned funding.

Taking account of the continued Covid- 19 situation, and other relevant factors, the Directors conclude that it may adopt the going concern basis of accounting in preparing the financial statements, for a period of at least 12 months from the date of approval of this report.

CARDIFF CITY TRANSPORT SERVICES LIMITED

STRATEGIC REPORT *(continued)*

Year ended 31 March 2022

This report was approved by the board of directors on 10/11/22 and signed on behalf of the board by:



Mr P G Dyer ,
Director

CARDIFF CITY TRANSPORT SERVICES LIMITED

DIRECTORS' REPORT

Year ended 31 March 2022

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

Directors

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

Mr D J Conway
Ms S Davies
Mr P G Dyer
Mr G M Hill-John
Mr O L Jones
Mr C N Lay
Ms L Phillips
Ms E C Sandrey
Mr K Singh
Mr G Stevens
Mr M J Trodd (Appointed 1 July 2021)
Mr R A Souter-Payne (Resigned 8 June 2021)

Dividends

The directors do not recommend the payment of a dividend.

Streamlined Energy and Carbon Reporting

This is the third year of reporting under the UK Government's Streamlined Energy and Carbon Reporting (SECR) Policy.

The methodologies under SECR are:

Scope 1 relate to fuels utilised for the fleet operations such as company vehicle fleet.

Scope 2 relates to consumption of purchase electricity in day to day business operations.

Scope 3 relates to consumption and emissions from water supply to the site.

Scope 1,2 and 3 and CO₂ emission has been calculated in line with the 2019 and 2020 UK Government environmental reporting guidance.

Intensity metrics have been calculated utilising the 2021/22 reportable figures for the following metrics, and tCO₂e for both individual sources and total emissions were then divided by this figure to determine the tCO₂e metric:

Turnover (£m) £20m

Greenhouse gas emissions and energy consumption:

	Unit	2022	2021
Emission resulting from liquid fuels (scope 1)	tCO ₂ e	9,073,106	7,003,369
Emissions resulting from the purchase of electricity by the group for its own use (scope 2)	tCO ₂ e	303,018	186,042
Emission resulting from water supply (scope 3)	tCO ₂ e	1,392	2,475
Total emissions	tCO ₂ e	9,377,516	7,191,886
Total energy consumption	kWh	1,427,107	797,986

CARDIFF CITY TRANSPORT SERVICES LIMITED

DIRECTORS' REPORT *(continued)*

Year ended 31 March 2022

Scope 1 2021 emission takes account of a reduction in service through the pandemic.

Scope 2 includes the introduction of the electric bus service in late 2022.

Principal measures taken to increase energy efficiency

Cardiff City Transport Services Limited are committed to year on year improvements in operational energy efficiency through improvements in fleet emission with a view of implementing these measures in the next 5 years with fleet investment.

Measures ongoing and undertaken through 2021/22 and beyond

20 Euro fleet were retrofitted to be Euro 6 emission compliant during 21/22 and a replacement of 36 vehicles to electric buses at the end of the year provided zero tail pipe emissions to a proportion of the fleet.

Employment of 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 involvement

The group employed 470 people (over 78% 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.

Qualifying indemnity provision

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.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

CARDIFF CITY TRANSPORT SERVICES LIMITED

DIRECTORS' REPORT *(continued)*

Year ended 31 March 2022

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

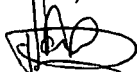
Auditor

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

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 10/11/22 and signed on behalf of the board by:



Mr P G Dyer
Director



**KILSBY
WILLIAMS**
Chartered Accountants

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

Year ended 31 March 2022

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



**KILSBY
WILLIAMS**
Chartered Accountants

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

Year ended 31 March 2022

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.



**KILSBY
WILLIAMS**
Chartered Accountants

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

Year ended 31 March 2022

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

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

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



**KILSBY
WILLIAMS**
Chartered Accountants

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

Year ended 31 March 2022

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

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



**KILSBY
WILLIAMS**
Chartered Accountants

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

Year ended 31 March 2022

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Tee (Senior Statutory Auditor)

For and on behalf of
Kilsby & Williams LLP
Chartered Accountants & statutory auditor
Cedar House
Hazell Drive
Newport
NP10 8FY

Kilsby & Williams LLP

11th November 2022

CARDIFF CITY TRANSPORT SERVICES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2022

	Note	2022 £000	2021 £000
TURNOVER	4	20,318	10,910
Cost of sales		(20,498)	(10,917)
GROSS LOSS		(180)	(7)
Administrative expenses		(12,282)	(17,674)
Other operating income	5	13,051	18,629
Transfer of pension liability to parent		–	6,533
(Impairment)/Impairment reversal of property, plant and equipment	13	3,500	5,399
OPERATING PROFIT	6	4,089	12,880
Other interest receivable and similar income	10	11	–
Interest payable and similar expenses	11	(19)	(209)
PROFIT BEFORE TAXATION		4,081	12,671
Tax on profit	12	(696)	(342)
PROFIT FOR THE FINANCIAL YEAR		<u>3,385</u>	<u>12,329</u>
Remeasurement of the net defined benefit plan		–	(5,129)
Tax relating to components of other comprehensive income		–	1,688
OTHER COMPREHENSIVE INCOME FOR THE YEAR		–	(3,441)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,385</u>	<u>8,888</u>

All the activities of the group are from continuing operations.

The notes on pages 21 to 37 form part of these financial statements.

CARDIFF CITY TRANSPORT SERVICES LIMITED

CONSOLIDATED BALANCE SHEET

31 March 2022

	Note	2022 £000	2021 £000
FIXED ASSETS			
Tangible assets	13	23,908	9,739
CURRENT ASSETS			
Stocks	15	486	476
Debtors	16	4,456	4,756
Cash at bank and in hand		10,776	12,590
		15,718	17,822
CREDITORS: amounts falling due within one year	18	(6,666)	(3,962)
NET CURRENT ASSETS		9,052	13,860
TOTAL ASSETS LESS CURRENT LIABILITIES		32,960	23,599
CREDITORS: amounts falling due after more than one year	19	(1,695)	(2,589)
PROVISIONS	21	(963)	(913)
ACCRUALS AND DEFERRED INCOME		(6,258)	(6,038)
NET ASSETS		24,044	14,059
CAPITAL AND RESERVES			
Called up share capital	25	18,218	11,618
Revaluation reserve	26	3,871	3,893
Profit and loss account	26	1,955	(1,452)
SHAREHOLDERS FUNDS		24,044	14,059

These financial statements were approved by the board of directors and authorised for issue on 10.11.22, and are signed on behalf of the board by:



Mr P G Dyer
Director

Company registration number: 02001229

The notes on pages 21 to 37 form part of these financial statements.

CARDIFF CITY TRANSPORT SERVICES LIMITED

BALANCE SHEET

31 March 2022

	Note	2022 £000	2021 £000
FIXED ASSETS			
Tangible assets	13	23,908	9,739
Investments	14	1	1
		<u>23,909</u>	<u>9,740</u>
CURRENT ASSETS			
Stocks	15	486	476
Debtors	16	4,456	4,756
Cash at bank and in hand		10,776	12,590
		<u>15,718</u>	<u>17,822</u>
CREDITORS: amounts falling due within one year	18	(6,667)	(4,012)
NET CURRENT ASSETS		<u>9,051</u>	<u>13,810</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		32,960	23,550
CREDITORS: amounts falling due after more than one year	19	(1,695)	(2,589)
PROVISIONS	21	(963)	(913)
ACCRUALS AND DEFERRED INCOME		(6,258)	(6,038)
NET ASSETS		<u>24,044</u>	<u>14,010</u>
CAPITAL AND RESERVES			
Called up share capital	25	18,218	11,618
Revaluation reserve	26	3,871	3,893
Profit and loss account	26	1,955	(1,501)
SHAREHOLDERS FUNDS		<u>24,044</u>	<u>14,010</u>

The profit for the financial year of the parent company was £3,434,000 (2021: £12,329,000).

These financial statements were approved by the board of directors and authorised for issue on and are signed on behalf of the board by:



Mr P G Dyer
Director

Company registration number: 02001229

The notes on pages 21 to 37 form part of these financial statements.

CARDIFF CITY TRANSPORT SERVICES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total £000
AT 1 APRIL 2020	4,618	3,197	(9,644)	(1,829)
Profit for the year			12,329	12,329
Other comprehensive income for the year:				
Remeasurement of the net defined benefit plan	23	–	(5,129)	(5,129)
Reclassification from revaluation reserve to profit and loss account	–	(22)	22	–
Tax relating to components of other comprehensive income	12	718	970	1,688
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	696	8,192	8,888
Issue of shares	7,000	–	–	7,000
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	7,000	–	–	7,000
AT 31 MARCH 2021	11,618	3,893	(1,452)	14,059
Profit for the year			3,385	3,385
Other comprehensive income for the year:				
Reclassification from revaluation reserve to profit and loss account	–	(22)	22	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	(22)	3,407	3,385
Issue of shares	6,600	–	–	6,600
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	6,600	–	–	6,600
AT 31 MARCH 2022	<u>18,218</u>	<u>3,871</u>	<u>1,955</u>	<u>24,044</u>

The notes on pages 21 to 37 form part of these financial statements.

CARDIFF CITY TRANSPORT SERVICES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total £000
AT 1 APRIL 2020	4,618	3,197	(9,693)	(1,878)
Profit for the year			12,329	12,329
Other comprehensive income for the year:				
Remeasurement of the net defined benefit plan	23	—	(5,129)	(5,129)
Reclassification from revaluation reserve to profit and loss account	—	(22)	22	—
Tax relating to components of other comprehensive income	12	718	970	1,688
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	696	8,192	8,888
Issue of shares	7,000	—	—	7,000
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	7,000	—	—	7,000
AT 31 MARCH 2021	11,618	3,893	(1,501)	14,010
Profit for the year			3,434	3,434
Other comprehensive income for the year:				
Reclassification from revaluation reserve to profit and loss account	—	(22)	22	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	(22)	3,456	3,434
Issue of shares	6,600	—	—	6,600
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	6,600	—	—	6,600
AT 31 MARCH 2022	<u>18,218</u>	<u>3,871</u>	<u>1,955</u>	<u>24,044</u>

The notes on pages 21 to 37 form part of these financial statements.

CARDIFF CITY TRANSPORT SERVICES LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2022

	Note	2022 £000	2021 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year		3,385	12,329
<i>Adjustments for:</i>			
Depreciation of tangible assets		2,770	1,727
Impairment of tangible assets		(3,500)	(5,399)
Other interest receivable and similar income		(11)	–
Interest payable and similar expenses		19	209
Gains on disposal of tangible assets		(12)	(4)
Defined benefit pension plan employer contributions		–	333
Tax on profit		696	342
Transfer of pension liability to parent		–	(6,533)
<i>Changes in:</i>			
Stocks		(10)	(34)
Trade and other debtors		(396)	1,138
Trade and other creditors		4,465	(932)
Cash generated from operations		7,406	3,176
Interest paid		(19)	(128)
Interest received		11	–
Tax received		–	65
Net cash from operating activities		<u>7,398</u>	<u>3,113</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets		(13,483)	(212)
Proceeds from sale of tangible assets		56	14
Net cash used in investing activities		<u>(13,427)</u>	<u>(198)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		6,600	7,000
Repayments of borrowings		–	(1,500)
Repayments of loans from group undertakings		(1,000)	(376)
Government grant income		–	5,697
Payments of finance lease liabilities		(1,233)	(1,377)
Net cash from financing activities		<u>4,367</u>	<u>9,444</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(1,662)</u>	<u>12,359</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>12,426</u>	<u>67</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	<u>10,764</u>	<u>12,426</u>

The notes on pages 21 to 37 form part of these financial statements.

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

1. GENERAL INFORMATION

The company is a private company limited by shares, registered in Wales. The address of the registered office is Leckwith Depot and Offices, Sloper Road, Leckwith, Cardiff, CF11 8TB.

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

Basis of preparation

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

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

Going concern

Predicting the likely return of passenger numbers over the foreseeable future continues to be difficult following the Covid -19 pandemic. However, 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 and during the year ended 31 March 2023 we have planned for a number of scenarios.

During FY22 the Company entered into an agreement with Welsh Government to be provided with funding under the Bus Emergency Scheme (BES2) which guaranteed funding until July 2022. The Company has now entered a third agreement with the Welsh Government for funding from 1 August 2022 to 31 March 2023 under the Bus Emergency Scheme, known as BES 3.

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 2029 and a detailed cash flow forecast for the period to 31 March 2024 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.

The directors' cash flow forecast over the going concern period to 31 March 2024 includes that the BES 3 funding will be received, the continued receipt of concession funding and Bus Services Support Grant levy. Having consulted with stakeholders, the directors consider that the Group and Company has a realistic prospect of securing and receiving the aforementioned funding.

Taking account of the continued Covid- 19 situation, and other relevant factors, the Directors conclude that it may adopt the going concern basis of accounting in preparing the financial statements, for a period of at least 12 months from the date of approval of this report.

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

3. ACCOUNTING POLICIES *(continued)*

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Cardiff City Transport Services Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Judgements and key sources of estimation uncertainty

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

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Funds on deposit

Funds on deposit held as current assets include £2,087,082 (2021: £2,110,648) 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 current asset.

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

3. ACCOUNTING POLICIES *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty

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

Provision for insurance claims

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

Provision is also made, using a third party's best estimate of the value to settle a claim, 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 £962,803 (2021: £912,805).

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.

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

3. ACCOUNTING POLICIES *(continued)*

Turnover

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 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.

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

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

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

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

3. ACCOUNTING POLICIES *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

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

Freehold property	-	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.

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.

Land and buildings have been re-measured to their fair value at the date of transition to IFRS and subsequently to FRS102. The land and buildings were previously stated in the balance sheet at their revalued amounts, being 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 FRS102 cost mode. Deemed cost is an amount used as a surrogate for cost at the date of transition.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of fixed assets

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

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

3. ACCOUNTING POLICIES *(continued)*

Impairment of fixed assets *(continued)*

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

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

Stocks

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

Finance leases and hire purchase contracts

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

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

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received. Government grants are recognised using the accrual model. Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

3. ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

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 for the estimated cost of settling uninsured claims for incidents occurring prior to the balance sheet date.

Financial instruments

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

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

Debt instruments are subsequently measured at amortised cost.

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

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

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

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

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

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

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

3. ACCOUNTING POLICIES *(continued)*

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. TURNOVER

Turnover arises from:

	2022 £000	2021 £000
Rendering of services	20,318	10,910

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

5. OTHER OPERATING INCOME

	2022 £000	2021 £000
Other operating income	13,051	18,629

6. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2022 £000	2021 £000
Depreciation of tangible assets	2,770	1,727
Gains on disposal of tangible assets	(12)	(4)
Impairment of trade debtors	(29)	109
Furlough income	(3)	(3,649)
Bus Service Support Grant income	(1,597)	(1,517)
Bus Emergency Support income	(5,605)	(5,884)
Concession income	(5,333)	(7,880)
Economic Resilience Grant Fund income	-	(502)

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

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

7. AUDITOR'S REMUNERATION

	2022	2021
	£000	£000
Fees payable for the audit of the financial statements	<u>21</u>	<u>21</u>

8. STAFF COSTS

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

	2022	2021
	No.	No.
Administrative staff	61	62
Traffic staff	428	502
Engineering staff	<u>56</u>	<u>66</u>
	<u>545</u>	<u>630</u>

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

	2022	2021
	£000	£000
Wages and salaries	16,608	17,433
Social security costs	1,420	1,398
Other pension costs	<u>892</u>	<u>1,580</u>
	<u>18,920</u>	<u>20,411</u>

9. DIRECTORS' REMUNERATION

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

	2022	2021
	£000	£000
Remuneration	348	327
Company contributions to defined contribution pension plans	<u>9</u>	<u>8</u>
	<u>357</u>	<u>335</u>

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

	2022	2021
	£000	£000
Aggregate remuneration	<u>143</u>	<u>140</u>

10. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£000	£000
Interest on cash and cash equivalents	<u>11</u>	<u>-</u>

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £000	2021 £000
Interest on debenture loans	–	56
Interest on banks loans and overdrafts	–	1
Interest on obligations under finance leases and hire purchase contracts	19	71
Net finance costs in respect of defined benefit pension plans	–	81
	<u>19</u>	<u>209</u>

12. TAX ON PROFIT

Major components of tax expense

	2022 £000	2021 £000
Current tax:		
Adjustments in respect of prior periods	–	(66)
Deferred tax:		
Origination and reversal of timing differences	540	408
Impact of change in tax rate	156	–
Total deferred tax	<u>696</u>	<u>408</u>
Tax on profit	<u>696</u>	<u>342</u>

Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £Nil (2021: £(1,688,510)).

Reconciliation of tax expense

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

	2022 £000	2021 £000
Profit on ordinary activities before taxation	<u>4,081</u>	<u>12,671</u>
Profit on ordinary activities by rate of tax	785	2,408
Adjustment to tax charge in respect of prior periods	(8)	–
Effect of expenses not deductible for tax purposes	(15)	118
Effect of capital allowances and depreciation	26	–
Effect of tax rate changes	(156)	–
Adjustments in respect of prior periods corporation tax	–	(66)
Adjustments in respect of prior periods deferred tax	1	(2,128)
Non qualifying depreciation	–	10
Deferred tax reversal adjustment	63	–
Tax on profit	<u>696</u>	<u>342</u>

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

12. TAX ON PROFIT *(continued)*

Factors that may affect future tax expense

On 10 June 2021 the Finance Act 2021 was given royal assent which increased the main rate of corporation tax from 19% to 25%, for the financial year 2023. This rate change has been included within the deferred tax calculation resulting in an increase of £156k to the asset.

13. TANGIBLE ASSETS

Group and company

	Freehold property Freehold land and buildings £000	Plant and machinery Fixtures, fittings, plant and equipment £000	Motor vehicles Buses and motor vehicles £000	Total £000
Cost				
At 1 April 2021	5,150	6,952	33,048	45,150
Additions	–	–	13,483	13,483
Disposals	–	(2,633)	(10,462)	(13,095)
At 31 March 2022	5,150	4,319	36,069	45,538
Depreciation				
At 1 April 2021	707	6,386	28,318	35,411
Charge for the year	139	209	2,422	2,770
Disposals	–	(2,615)	(10,436)	(13,051)
Reversal of impairment losses	–	(375)	(3,125)	(3,500)
At 31 March 2022	846	3,605	17,179	21,630
Carrying amount				
At 31 March 2022	4,304	714	18,890	23,908
At 31 March 2021	4,443	566	4,730	9,739

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 2022. For the purpose of the impairment review, the business is considered to be one cash generating unit.

The review resulted in the reversal of £3.5m of the impairment charge recognised in March 2020, as part of the Directors' review of the cash generating unit. The circumstance that have led to this reversal were the:

- Bus Emergency Scheme Funding scheme 3 agreement which provides secure income up to 31 March 2023;
- introduction of a new electric bus fleet providing future income beyond the life of the old diesel buses; and
- restructure of the business which will result in lower future operating costs.

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

13. TANGIBLE ASSETS *(continued)*

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

Group and company	Motor vehicles Buses and motor vehicles £000
At 31 March 2022	2,728
At 31 March 2021	3,277

14. INVESTMENTS

The group has no investments.

Company	Shares in group undertakings £000
Cost	
At 1 April 2021 and 31 March 2022	1
Impairment	
At 1 April 2021 and 31 March 2022	-
Carrying amount	
At 1 April 2021 and 31 March 2022	1
At 31 March 2021	1

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

Subsidiary undertakings	Registered office	Class of share	Percentage of shares held
Vale Busline Limited	Leckwith Depot and Offices Sloper Road Leckwith Cardiff CF11 8TB	Ordinary	100

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

15. STOCKS

	2022	Group	2022	Company
	£000	2021	£000	2021
	£000	£000	£000	£000
Stock	486	476	486	476

16. DEBTORS

	2022	Group	2022	Company
	£000	2021	£000	2021
	£000	£000	£000	£000
Trade debtors	1,007	124	1,007	124
Amounts owed by group undertakings	58	371	58	371
Deferred tax asset	584	1,280	584	1,280
Prepayments and accrued income	—	26	—	26
Other debtors	2,807	2,955	2,807	2,955
	<u>4,456</u>	<u>4,756</u>	<u>4,456</u>	<u>4,756</u>

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2022	2021
	£000	£000
Cash at bank and in hand	10,776	12,590
Bank overdrafts	(12)	(164)
	<u>10,764</u>	<u>12,426</u>

18. CREDITORS: amounts falling due within one year

	2022	Group	2022	Company
	£000	2021	£000	2021
	£000	£000	£000	£000
Bank loans and overdrafts	12	164	12	164
Trade creditors	713	336	713	385
Amounts owed to group undertakings	—	—	2	2
Social security and other taxes	323	306	323	306
Obligations under finance leases and hire purchase contracts	637	1,226	637	1,226
Other creditors	4,981	1,930	4,980	1,929
	<u>6,666</u>	<u>3,962</u>	<u>6,667</u>	<u>4,012</u>

Included within creditors due within one year is a balance of £636,665 (2021: £1,225,847) relating to finance leases secured on the assets to which they relate.

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

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

	2022	Group	2022	Company
	£000	2021	£000	2021
		£000		£000
Obligations under finance leases and hire purchase contracts	445	1,089	445	1,089
Other creditors	1,250	1,500	1,250	1,500
	<u>1,695</u>	<u>2,589</u>	<u>1,695</u>	<u>2,589</u>

Included within creditors due over one year is a balance of £445,088 (2021: £1,088,758) relating to finance leases secured on the assets to which they relate.

20. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

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

	2022	Group	2022	Company
	£000	2021	£000	2021
		£000		£000
Not later than 1 year	675	1,251	675	1,251
Later than 1 year and not later than 5 years	442	1,103	442	1,103
	<u>1,117</u>	<u>2,354</u>	<u>1,117</u>	<u>2,354</u>
Less: future finance charges	(35)	(39)	(35)	(39)
Present value of minimum lease payments	<u>1,082</u>	<u>2,315</u>	<u>1,082</u>	<u>2,315</u>

21. PROVISIONS

Group and company	Insurance provision
	£000
At 1 April 2021	913
Movement in the year	50
At 31 March 2022	<u>963</u>

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

22. DEFERRED TAX

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

	2022	Group	2022	Company
	£000	2021	£000	2021
		£000	£000	£000
Included in debtors (note 16)	584	1,280	584	1,280

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

	2022	Group	2022	Company
	£000	2021	£000	2021
		£000	£000	£000
Accelerated capital allowances	(364)	(45)	(364)	(45)
Unused tax losses	606	975	606	975
Pension plan obligations	24	17	24	17
Deferred tax - other provisions	381	333	381	333
Deferred tax - reversal adjustment	(63)	—	(63)	—
	584	1,280	584	1,280

The deferred tax asset is expected to decrease by £177k in the following 12 months due to the utilisation of tax losses.

23. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £891,532 (2021: £321,396).

24. GOVERNMENT GRANTS

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

	2022	Group	2022	Company
	£000	2021	£000	2021
		£000	£000	£000
Recognised in accruals and deferred income:				
Deferred government grants due within one year	519	127	519	127
Deferred government grants due after more than one year	5,454	5,570	5,454	5,570
	5,973	5,697	5,973	5,697

25. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2022		2021	
	No.	£000	No.	£000
Ordinary shares of £1 each	18,218,100	18,218	11,618,100	11,618

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

25. CALLED UP SHARE CAPITAL *(continued)*

In September 2021, the company issued 6,600,000 £1 shares in return for £6.6m in cash. The proceeds were used to purchase electric buses.

26. RESERVES

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

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

27. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 2021	Cash flows	At 31 Mar 2022
	£000	£000	£000
Cash at bank and in hand	12,590	(1,814)	10,776
Bank overdrafts	(164)	152	(12)
Debt due within one year	(1,226)	589	(637)
Debt due after one year	(1,089)	644	(445)
	<u>10,111</u>	<u>(429)</u>	<u>9,682</u>

28. OPERATING LEASES

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

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Not later than 1 year	98	108	98	108
Later than 1 year and not later than 5 years	302	336	302	336
Later than 5 years	101	156	101	156
	<u>501</u>	<u>600</u>	<u>501</u>	<u>600</u>

29. RELATED PARTY TRANSACTIONS

Group

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the group was £543,342 (2021: £450,121).

CARDIFF CITY TRANSPORT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2022

29. RELATED PARTY TRANSACTIONS *(continued)*

Company

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

During the year, the company received £10,592,099 (2021: £9,843,590) from The City of Cardiff Council for the provision of bus services during the year. The company incurred trading expenses of £240,318 (2021: £298,659), which included payments for rates, and other costs. At 31 March 2022, there was a balance of £58,056 (2021: £474,000) owed to The City of Cardiff Council and a balance of £210,151 (2021: £1,000,000) owed from Cardiff City Transport Services Limited.

The company also paid £563,158 in costs relating to pension professional fees relating to the flexible apportionment agreement signed with The City of Cardiff Council in the prior year. At the year end there was £1,500,000 (2021: £1,750,000) due to The City of Cardiff Council.

30. 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 CF 10 4UW.

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