

**COMPANY REGISTRATION NUMBER: 02001229**

**CARDIFF CITY TRANSPORT SERVICES LIMITED**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2023**

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# **CARDIFF CITY TRANSPORT SERVICES LIMITED**

## **FINANCIAL STATEMENTS**

**Year ended 31 March 2023**

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# **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 O L Jones - (non-executive)  
Mr C N Lay - (non-executive)  
Ms L Phillips - (non-executive)  
Mr G Stevens  
Mr M J Trodd  
Mr C Davies - (non-executive)  
Mr G Hunt - (non-executive)  
Mr R Taylor - (non-executive)

### **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 2023**

### **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 group's key measurements of the effectiveness of its operations are turnover and gross margin.

The group's revenue increased to £24,221,645 (2022: £20,318,456) for the year ended 31 March 2023 with passenger numbers increasing post pandemic. The group delivered a gross profit of £676,584 (2022: £(181,817)).

During the year, the group made investments of £447,901 (2022: £13,483,400), 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, therefore no impairment has been included in the year.

The group 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 group continued to prioritise the safety and well-being of our people and our customers during this unprecedented period.

During FY23 the group entered into a further agreement with Welsh Government to be provided with funding under the Bus Emergency Scheme (BES3) which guaranteed funding until March 2023. This support received has been included in other operating income during FY23.

Operating profit for the current year was £1,550,485 (2022: £4,088,133). The profit after taxation was £1,395,332 (2022: profit after tax of £3,385,156).

The balance sheet on page 16 of the financial statements shows the net assets of £25,440,330 (2022: net assets £24,044,998).

# CARDIFF CITY TRANSPORT SERVICES LIMITED

## STRATEGIC REPORT *(continued)*

**Year ended 31 March 2023**

### 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:** the business financial performance and financial position could change due to changes in people's working patterns, shopping habits and/ or other preference.

**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 group 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:** Employee costs continues to be the largest component of the group's operating costs. Pressure to increase wages through cost of living challenges 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 one year pay deal during the year agreed until April 2023. 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 group 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 continued 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

# **CARDIFF CITY TRANSPORT SERVICES LIMITED**

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

### **Year ended 31 March 2023**

will affect the financial viability of the group to continue to provide this service.

**Mitigation:** The group continues to implement best practices as advised by Department for Transport. For the 2022/23 year the group entered into a further agreement with Welsh Government under the Bus Emergency Scheme (BES3) to provide additional funding to continue the service required during the period up to July 2023. Further Bus Transition Scheme (BTF) funding has now been agreed to continue to assist the business until March 2024.

#### **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 for 2023/24 includes the order for a further 19 electric buses, the installation of the required infrastructure at the company's depot to support those buses, as part of the Cardiff Electric Bus Vehicle Scheme grant funding.

#### **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.

# **CARDIFF CITY TRANSPORT SERVICES LIMITED**

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

**Year ended 31 March 2023**

### **FUTURE DEVELOPMENT**

The group has been successful in the bid for Cardiff Electric Bus Vehicle Scheme grant funding with introduction of further electric buses to the city in 2024. This shows the group's commitment to its core value of providing reliable, safe, high quality and affordable public transport to the citizens and visitors to Cardiff, as well as seeking more efficient vehicles.

Safety remains our absolute priority, in order for our customers 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 2023 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 group 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 group took delivery of 36 electric buses during 2021/22 and a further 19 electric buses are planned in early 2024.

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**

The effect of the Covid 19 Pandemic on travel patterns with an acceleration of increased working and shopping from home has had a lasting effect on the passenger numbers, and the predicted numbers for the scenario planning for the business in the future.

The business was successful in receiving grant funding under the Cardiff Electric Bus Vehicle Scheme with the electric buses now ordered and expected to be in operation by March 2024.

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 2025 and a detailed cash flow forecast for the period to 31 March 2025 which, together, represent the directors' best estimate of the future development of the Group, during these unprecedented times.

During FY23 the group entered into an agreement with Welsh Government to be provided with funding under the Bus Emergency Scheme (BES3) which guaranteed funding until March 2023. The group has now entered a further extension to the BES 3 funding until the 24 July 2023, and the Bus Transition Funding from 25th July 2023 to March 2024, known as BTF.

The directors' cash flow forecast over the going concern period to 31 March 2025 includes that the BTF 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.

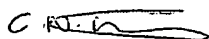
Taking account of the continued Covid- 19 situation, and other relevant factors, the Directors conclude that it may adopt the going concern basis of accounting in preparing the financial statements, for a period of at least 12 months from the date of approval of this report.

# **CARDIFF CITY TRANSPORT SERVICES LIMITED**

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

**Year ended 31 March 2023**

This report was approved by the board of directors on 21/11/23..... and signed on behalf of the board by:



**Mr C N Lay**  
**Director**



# **CARDIFF CITY TRANSPORT SERVICES LIMITED**

## **DIRECTORS' REPORT**

### **Year ended 31 March 2023**

The directors present their report and the financial statements of the group for the year ended 31 March 2023.

#### **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 O L Jones	
Mr C N Lay	
Ms L Phillips	
Mr G Stevens	
Mr M J Trodd	
Mr C Davies	(Appointed 27 May 2022)
Mr G Hunt	(Appointed 27 May 2022)
Mr R Taylor	(Appointed 27 May 2022)
Mr G M Hill-John	(Resigned 27 May 2022)
Ms E C Sandrey	(Resigned 27 May 2022)
Mr K Singh	(Resigned 27 May 2022)

#### **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 CO<sub>2</sub> emission has been calculated in line with the 2019 and 2020 UK Government environmental reporting guidance.

Intensity metrics have been calculated utilising the 2022/23 reportable figures for the following metrics, and tCO<sub>2</sub>c for both individual sources and total emissions were then divided by this figure to determine the tCO<sub>2</sub>e metric:

Turnover (£m) £24m

## CARDIFF CITY TRANSPORT SERVICES LIMITED

### DIRECTORS' REPORT *(continued)*

#### Year ended 31 March 2023

Greenhouse gas emissions and energy consumption:

	Unit	2023	2022
Emission resulting from liquid fuels (scope 1)	tCO2e	8,034,008	9,073,106
Emissions resulting from the purchase of electricity by the group for its own use (scope 2)	tCO2e	571,044	303,018
Emission resulting from water supply (scope 3)	tCO2e	1,178	1,392
Total emissions	tCO2e	8,606,230	9,377,516
Total energy consumption	kWh	2,952,964	1,427,107

#### Principal measures taken to increase energy efficiency

Cardiff City Transport Services Limited is 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 few years with fleet investment.

#### Measures ongoing and undertaken through 2022/23 and beyond

2022/23 was a full year of the electric bus fleet showing an reduction in overall emissions for Scope 1 and Scope 2.

#### 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 523 people (over 77% 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 fulfill 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.

# **CARDIFF CITY TRANSPORT SERVICES LIMITED**

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

### **Year ended 31 March 2023**

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.

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.

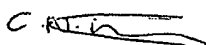
#### **Auditor**

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 21/11/23 and signed on behalf of the board by:

  
**Mr C N Lay**  
**Director**



**KILSBY  
WILLIAMS**  
Chartered Accountants

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

**Year ended 31 March 2023**

### **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 2023 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 2023 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 2023**

**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 2023**

**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 2023**

- 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 2023**

**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

*Simon Tee*

*Kilsby & Williams LLP*

*27th November 2023*



# CARDIFF CITY TRANSPORT SERVICES LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2023

	Note	2023 £	2022 £
<b>TURNOVER</b>	<b>4</b>	24,221,645	20,318,456
Cost of sales		(23,545,061)	(20,500,273)
<b>GROSS PROFIT/(LOSS)</b>		676,584	(181,817)
Administrative expenses		(13,235,234)	(12,281,270)
Other operating income	<b>5</b>	14,109,135	13,051,228
(Impairment)/Impairment reversal of property, plant and equipment		—	3,499,992
<b>OPERATING PROFIT</b>	<b>6</b>	1,550,485	4,088,133
Other interest receivable and similar income	<b>10</b>	236,829	11,327
Interest payable and similar expenses	<b>11</b>	(17,959)	(18,519)
<b>PROFIT BEFORE TAXATION</b>		1,769,355	4,080,941
Tax on profit	<b>12</b>	(374,023)	(695,785)
<b>PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME</b>		<u>1,395,332</u>	<u>3,385,156</u>

All the activities of the group are from continuing operations.

The notes on pages 21 to 36 form part of these financial statements.

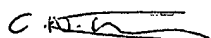
# CARDIFF CITY TRANSPORT SERVICES LIMITED

## CONSOLIDATED BALANCE SHEET

31 March 2023

	Note	2023 £	2022 £
<b>FIXED ASSETS</b>			
Tangible assets	13	22,170,080	23,907,983
<b>CURRENT ASSETS</b>			
Stocks	15	541,789	486,300
Debtors	16	3,855,661	4,455,748
Cash at bank and in hand		10,178,722	10,775,518
		14,576,172	15,717,566
<b>CREDITORS: amounts falling due within one year</b>	18	(2,780,627)	(6,664,799)
<b>NET CURRENT ASSETS</b>		11,795,545	9,052,767
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		33,965,625	32,960,750
<b>CREDITORS: amounts falling due after more than one year</b>	19	(1,000,000)	(1,695,088)
<b>PROVISIONS</b>	21	(1,487,648)	(962,803)
<b>ACCRUALS AND DEFERRED INCOME</b>		(6,037,647)	(6,257,861)
<b>NET ASSETS</b>		25,440,330	24,044,998
<b>CAPITAL AND RESERVES</b>			
Called up share capital	25	18,218,100	18,218,100
Revaluation reserve	26	3,849,442	3,871,442
Profit and loss account	26	3,372,788	1,955,456
<b>SHAREHOLDERS FUNDS</b>		25,440,330	24,044,998

These financial statements were approved by the board of directors and authorised for issue on ...21/11/23..., and are signed on behalf of the board by:



Mr C N Lay  
Director

Company registration number: 02001229

The notes on pages 21 to 36 form part of these financial statements.

# CARDIFF CITY TRANSPORT SERVICES LIMITED

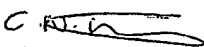
## BALANCE SHEET

31 March 2023

	Note	2023 £	2022 £
<b>FIXED ASSETS</b>			
Tangible assets	13	22,170,080	23,907,983
Investments	14	1,000	1,000
		<u>22,171,080</u>	<u>23,908,983</u>
<b>CURRENT ASSETS</b>			
Stocks	15	541,789	486,300
Debtors	16	3,855,661	4,455,748
Cash at bank and in hand		10,178,722	10,775,518
		<u>14,576,172</u>	<u>15,717,566</u>
<b>CREDITORS: amounts falling due within one year</b>	18	(2,780,627)	(6,665,824)
<b>NET CURRENT ASSETS</b>		<u>11,795,545</u>	<u>9,051,742</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>33,966,625</u>	<u>32,960,725</u>
<b>CREDITORS: amounts falling due after more than one year</b>	19	(1,000,000)	(1,695,088)
<b>PROVISIONS</b>	21	(1,487,648)	(962,803)
<b>ACCRUALS AND DEFERRED INCOME</b>		<u>(6,037,647)</u>	<u>(6,257,861)</u>
<b>NET ASSETS</b>		<u>25,441,330</u>	<u>24,044,973</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	25	18,218,100	18,218,100
Revaluation reserve	26	3,849,442	3,871,442
Profit and loss account	26	3,373,788	1,955,431
<b>SHAREHOLDERS FUNDS</b>		<u>25,441,330</u>	<u>24,044,973</u>

The profit for the financial year of the parent company was £1,396,357 (2022: £3,434,156).

These financial statements were approved by the board of directors and authorised for issue on 21/01/23, and are signed on behalf of the board by:

  
Director

Company registration number: 02001229

The notes on pages 21 to 36 form part of these financial statements.

# CARDIFF CITY TRANSPORT SERVICES LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
<b>AT 1 APRIL 2021</b>	11,618,100	3,893,442	(1,451,700)	14,059,842
Profit for the year			3,385,156	3,385,156
Other comprehensive income for the year:				
Reclassification from revaluation reserve to profit and loss account	—	(22,000)	22,000	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	—	(22,000)	3,407,156	3,385,156
Issue of shares	6,600,000	—	—	6,600,000
<b>TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS</b>	6,600,000	—	—	6,600,000
<b>AT 31 MARCH 2022</b>	18,218,100	3,871,442	1,955,456	24,044,998
Profit for the year			1,395,332	1,395,332
Other comprehensive income for the year:				
Reclassification from revaluation reserve to profit and loss account	—	(22,000)	22,000	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	—	(22,000)	1,417,332	1,395,332
<b>AT 31 MARCH 2023</b>	<u>18,218,100</u>	<u>3,849,442</u>	<u>3,372,788</u>	<u>25,440,330</u>

The notes on pages 21 to 36 form part of these financial statements.

# CARDIFF CITY TRANSPORT SERVICES LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
<b>AT 1 APRIL 2021</b>	11,618,100	3,893,442	(1,500,725)	14,010,817
Profit for the year			3,434,156	3,434,156
Other comprehensive income for the year:				
Reclassification from revaluation reserve to profit and loss account	—	(22,000)	22,000	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	—	(22,000)	3,456,156	3,434,156
Issue of shares	6,600,000	—	—	6,600,000
<b>TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS</b>	6,600,000	—	—	6,600,000
<b>AT 31 MARCH 2022</b>	18,218,100	3,871,442	1,955,431	24,044,973
Profit for the year			1,396,357	1,396,357
Other comprehensive income for the year:				
Reclassification from revaluation reserve to profit and loss account	—	(22,000)	22,000	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	—	(22,000)	1,418,357	1,396,357
<b>AT 31 MARCH 2023</b>	<u>18,218,100</u>	<u>3,849,442</u>	<u>3,373,788</u>	<u>25,441,330</u>

The notes on pages 21 to 36 form part of these financial statements.

# CARDIFF CITY TRANSPORT SERVICES LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2023

	Note	2023 £	2022 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the financial year		1,395,332	3,385,156
<i>Adjustments for:</i>			
Depreciation of tangible assets		2,177,004	2,769,512
Impairment of tangible assets		–	(3,499,991)
Other interest receivable and similar income		(236,829)	(11,327)
Interest payable and similar expenses		17,959	18,519
Gains on disposal of tangible assets		(255,063)	(12,016)
Tax on profit		374,023	695,785
<i>Changes in:</i>			
Stocks		(55,489)	(10,294)
Trade and other debtors		226,064	(395,755)
Trade and other creditors		(3,582,405)	4,464,278
Cash generated from operations		60,596	7,403,867
Interest paid		(17,959)	(18,519)
Interest received		236,829	11,327
Net cash from operating activities		<u>279,466</u>	<u>7,396,675</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible assets		(447,901)	(13,483,400)
Proceeds from sale of tangible assets		263,863	56,498
Net cash used in investing activities		<u>(184,038)</u>	<u>(13,426,902)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		–	6,600,000
Repayments of loans from group undertakings		–	(1,000,000)
Payments of finance lease liabilities		(680,169)	(1,232,852)
Net cash (used in)/from financing activities		<u>(680,169)</u>	<u>4,367,148</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(584,741)</u>	<u>(1,663,079)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>10,763,463</u>	<u>12,426,542</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	17	<u>10,178,722</u>	<u>10,763,463</u>

The notes on pages 21 to 36 form part of these financial statements.

# **CARDIFF CITY TRANSPORT SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2023**

### **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**

The effect of the Covid 19 Pandemic on travel patterns with an acceleration of increased working and shopping from home has had a lasting effect on the passenger numbers, and the predicted numbers for the scenario planning for the business in the future.

The business was successful in receiving grant funding under the Cardiff Electric Bus Vehicle Scheme with the electric buses now ordered and expected to be in operation by March 2024.

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 2025 and a detailed cash flow forecast for the period to 31 March 2025 which, together, represent the directors' best estimate of the future development of the Group, during these unprecedented times.

During FY23 the group entered into an agreement with Welsh Government to be provided with funding under the Bus Emergency Scheme (BES3) which guaranteed funding until March 2023. The group has now entered a further extension to the BES 3 funding until the 24 July 2023, and the Bus Transition Funding from 25th July 2023 to March 2024, known as BTF.

The directors' cash flow forecast over the going concern period to 31 March 2025 includes that the BTF 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 2023**

### **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 £2,203,918(2022: £2,087,082) 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 2023**

### **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 £1,487,648 (2022: £962,803).

##### **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 2023**

### **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 2023**

### **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 2023**

### **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 2023**

### **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 2023

### 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:

	2023	2022
	£	£
Rendering of services	<u>24,221,645</u>	<u>20,318,456</u>

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

### 5. OTHER OPERATING INCOME

	2023	2022
	£	£
Other operating income	<u>14,109,135</u>	<u>13,051,228</u>

### 6. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2023	2022
	£	£
Depreciation of tangible assets	2,177,004	2,769,512
Gains on disposal of tangible assets	(255,063)	(12,016)
Impairment of trade debtors	8,685	(29,113)
Furlough income	–	(3,016)
Bus Service Support Grant income	(1,607,089)	(1,597,476)
Bus Emergency Support income	(9,979,831)	(5,605,404)
Concession income	<u>(9,048,881)</u>	<u>(5,333,301)</u>

The other operating income included in the accounts includes various government support arrangement in place since 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 2021/22 and 2022/23 accounts.

# CARDIFF CITY TRANSPORT SERVICES LIMITED

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

Year ended 31 March 2023

### 7. AUDITOR'S REMUNERATION

	2023	2022
	£	£
Fees payable for the audit of the financial statements	<u>22,232</u>	<u>20,875</u>

### 8. STAFF COSTS

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

	2023	2022
	No.	No.
Administrative staff	61	61
Traffic staff	403	428
Engineering staff	59	56
	<u>523</u>	<u>545</u>

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

	2023	2022
	£	£
Wages and salaries	18,528,496	16,608,436
Social security costs	1,627,434	1,419,971
Other pension costs	840,310	891,532
	<u>20,996,240</u>	<u>18,919,939</u>

### 9. DIRECTORS' REMUNERATION

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

	2023	2022
	£	£
Remuneration	336,122	348,292
Company contributions to defined contribution pension plans	7,809	8,952
	<u>343,931</u>	<u>357,244</u>

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

	2023	2022
	£	£
Aggregate remuneration	<u>147,798</u>	<u>142,800</u>

### 10. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2023	2022
	£	£
Interest on cash and cash equivalents	<u>236,829</u>	<u>11,327</u>

# CARDIFF CITY TRANSPORT SERVICES LIMITED

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

Year ended 31 March 2023

### 11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2023 £	2022 £
Interest on obligations under finance leases and hire purchase contracts	17,959	18,519

### 12. TAX ON PROFIT

#### Major components of tax expense

	2023 £	2022 £
<b>Deferred tax:</b>		
Origination and reversal of timing differences	437,501	540,278
Impact of change in tax rate	–	155,507
Prior year adjustment	(63,478)	–
Total deferred tax	374,023	695,785
<b>Tax on profit</b>	<b>374,023</b>	<b>695,785</b>

#### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2022: lower than) the standard rate of corporation tax in the UK of 19% (2022: 19%).

	2023 £	2022 £
Profit on ordinary activities before taxation	1,769,355	4,080,941
Profit on ordinary activities by rate of tax	336,177	775,379
Adjustment to tax charge in respect of prior periods	(63,478)	(8,386)
Effect of expenses not deductible for tax purposes	9,515	(14,689)
Deferred tax reversal adjustment	–	63,478
Difference on tax rates - deferred tax	105,000	(155,507)
Super-deduction	(25,530)	(123)
Consolidation adjustments	195	9,310
Non-qualifying depreciation	12,144	26,323
Tax on profit	374,023	695,785



# CARDIFF CITY TRANSPORT SERVICES LIMITED

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

Year ended 31 March 2023

### 13. TANGIBLE ASSETS

Group and company	Freehold property Freehold land and buildings £	Plant and machinery Fixtures, fittings, plant and equipment £	Motor vehicles Buses and motor vehicles £	Total £
<b>Cost</b>				
At 1 April 2022	5,150,000	4,319,208	36,069,218	45,538,426
Additions	—	—	447,901	447,901
Disposals	—	—	(4,699,392)	(4,699,392)
<b>At 31 March 2023</b>	<b>5,150,000</b>	<b>4,319,208</b>	<b>31,817,727</b>	<b>41,286,935</b>
<b>Depreciation</b>				
At 1 April 2022	846,029	3,605,393	17,179,021	21,630,443
Charge for the year	101,229	127,978	1,947,797	2,177,004
Disposals	—	—	(4,690,592)	(4,690,592)
Transfers	(37,313)	37,313	—	—
<b>At 31 March 2023</b>	<b>909,945</b>	<b>3,770,684</b>	<b>14,436,226</b>	<b>19,116,855</b>
<b>Carrying amount</b>				
<b>At 31 March 2023</b>	<b>4,240,055</b>	<b>548,524</b>	<b>17,381,501</b>	<b>22,170,080</b>
At 31 March 2022	4,303,971	713,815	18,890,197	23,907,983

#### 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 £
<b>At 31 March 2023</b>	<b>1,613,071</b>
At 31 March 2022	2,727,655

### 14. INVESTMENTS

The group has no investments.

# CARDIFF CITY TRANSPORT SERVICES LIMITED

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

Year ended 31 March 2023

### 14. INVESTMENTS *(continued)*

Company	Shares in group undertakings £
<b>Cost</b>	
At 1 April 2022 and 31 March 2023	<u>1,000</u>
<b>Impairment</b>	
At 1 April 2022 and 31 March 2023	<u>—</u>
<b>Carrying amount</b>	
At 1 April 2022 and 31 March 2023	<u>1,000</u>
At 31 March 2022	<u>1,000</u>

#### 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

### 15. STOCKS

	2023 £	Group 2022 £	2023 £	Company 2022 £
Stock	<u>541,789</u>	<u>486,300</u>	<u>541,789</u>	<u>486,300</u>

### 16. DEBTORS

	2023 £	Group 2022 £	2023 £	Company 2022 £
Trade debtors	308,095	1,006,961	308,095	1,006,961
Amounts owed by group undertakings	21,204	58,056	21,204	58,056
Deferred tax asset	210,443	584,466	210,443	584,466
Prepayments and accrued income	157,327	—	157,327	—
Other debtors	<u>3,158,592</u>	<u>2,806,265</u>	<u>3,158,592</u>	<u>2,806,265</u>
	<u>3,855,661</u>	<u>4,455,748</u>	<u>3,855,661</u>	<u>4,455,748</u>

# CARDIFF CITY TRANSPORT SERVICES LIMITED

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

Year ended 31 March 2023

### 17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2023	2022
	£	£
Cash at bank and in hand	10,178,722	10,775,518
Bank overdrafts	–	(12,055)
	<u>10,178,722</u>	<u>10,763,463</u>

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

	2023	Group 2022	2023	Company 2022
	£	£	£	£
Bank loans and overdrafts	–	12,055	–	12,055
Trade creditors	397,541	711,771	397,541	711,771
Amounts owed to group undertakings	–	–	–	1,743
Social security and other taxes	436,527	323,294	436,527	323,294
Obligations under finance leases and hire purchase contracts	401,584	636,665	401,584	636,665
Other creditors	1,544,975	4,981,014	1,544,975	4,980,296
	<u>2,780,627</u>	<u>6,664,799</u>	<u>2,780,627</u>	<u>6,665,824</u>

Included within creditors due within one year is a balance of £401,584 (2022: £636,665) relating to finance leases secured on the assets to which they relate.

Included within accruals and deferred income is a balance of £518,800 (2022: £518,000) relating to government grants received. An analysis of this can be found in note 24.

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

	2023	Group 2022	2023	Company 2022
	£	£	£	£
Obligations under finance leases and hire purchase contracts	–	445,088	–	445,088
Other creditors	1,000,000	1,250,000	1,000,000	1,250,000
	<u>1,000,000</u>	<u>1,695,088</u>	<u>1,000,000</u>	<u>1,695,088</u>

Included within creditors due over one year is a balance of £nil (2022: £445,088) relating to finance leases secured on the assets to which they relate.

Included within accruals and deferred income is a balance of £4,935,091 (2022: £5,454,215) relating to government grants received. An analysis of this can be found in note 24.

# CARDIFF CITY TRANSPORT SERVICES LIMITED

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

Year ended 31 March 2023

### 20. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

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

	2023	Group 2022	2023	Company 2022
	£	£	£	£
Not later than 1 year	441,720	675,014	441,720	675,014
Later than 1 year and not later than 5 years	–	441,720	–	441,720
	441,720	1,116,734	441,720	1,116,734
Less: future finance charges	(40,136)	(34,981)	(40,136)	(34,981)
Present value of minimum lease payments	401,584	1,081,753	401,584	1,081,753

### 21. PROVISIONS

#### Group and company

	Insurance provision £
At 1 April 2022	962,803
Movement in the year	524,845
At 31 March 2023	1,487,648

### 22. DEFERRED TAX

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

	2023	Group 2022	2023	Company 2022
	£	£	£	£
Included in debtors (note 16)	210,443	584,466	210,443	584,466

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

	2023	Group 2022	2023	Company 2022
	£	£	£	£
Accelerated capital allowances	490,456	363,650	490,456	363,650
Unused tax losses	(355,899)	(606,143)	(355,899)	(606,143)
Pension plan obligations	(32,500)	(24,535)	(32,500)	(24,535)
Deferred tax - other provisions	(312,500)	(380,918)	(312,500)	(380,918)
Deferred tax - reversal adjustment	–	63,480	–	63,480
	(210,443)	(584,466)	(210,443)	(584,466)

The deferred tax asset is expected to become a liability of £14k in the following 12 months, due to the release of the capital grant income.

# CARDIFF CITY TRANSPORT SERVICES LIMITED

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

Year ended 31 March 2023

### 23. EMPLOYEE BENEFITS

#### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £840,310 (2022: £891,532).

### 24. GOVERNMENT GRANTS

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

	2023 £	Group 2022 £	2023 £	Company 2022 £
Recognised in accruals and deferred income:				
Deferred government grants due within one year	518,800	518,800	518,800	518,800
Deferred government grants due after more than one year	4,935,091	5,454,215	4,935,091	5,454,215
	<u>5,453,891</u>	<u>5,973,015</u>	<u>5,453,891</u>	<u>5,973,015</u>

### 25. CALLED UP SHARE CAPITAL

#### Issued, called up and fully paid

	2023		2022	
	No.	£	No.	£
Ordinary shares of £1 each	<u>18,218,100</u>	<u>18,218,100</u>	<u>18,218,100</u>	<u>18,218,100</u>

### 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 2022 £	Cash flows £	At 31 Mar 2023 £
Cash at bank and in hand	10,775,518	(596,796)	10,178,722
Bank overdrafts	(12,055)	12,055	-
Debt due within one year	(636,665)	235,081	(401,584)
Debt due after one year	<u>(445,088)</u>	<u>445,088</u>	<u>-</u>
	<u>9,681,710</u>	<u>95,428</u>	<u>9,777,138</u>

# CARDIFF CITY TRANSPORT SERVICES LIMITED

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

Year ended 31 March 2023

### 28. OPERATING LEASES

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

	2023	Group 2022	2023	Company 2022
	£	£	£	£
Not later than 1 year	247,192	98,359	247,192	98,359
Later than 1 year and not later than 5 years	812,624	302,062	812,624	302,062
Later than 5 years	1,240,388	100,833	1,240,388	100,833
	<u>2,300,204</u>	<u>501,254</u>	<u>2,300,204</u>	<u>501,254</u>

### 29. EVENTS AFTER THE END OF THE REPORTING PERIOD

Post year end the group has contracted to purchase an additional 19 electric buses with the associated electric charging infrastructure costing £8.4m. The group has received the offer of a grant totalling £8m from Cardiff City Council for this capital spend.

### 30. 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 £544,903 (2022: £543,342).

#### Company

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

During the year, the company received £8,189,088 (2022: £10,592,099) from The City of Cardiff Council for provision of bus services. The company incurred trading expenses of £203,423 (2022: £240,318), which included payments for rates, and other costs. At 31 March 2023, there was a balance of £153,927 (2022: £210,151) owed to The City of Cardiff Council and a balance of £21,204 (2022: £58,056) owed from Cardiff City Transport Services Limited.

The company also paid £770,710 (2022: £563,158) for pension professional fees, relating to the flexible apportionment agreement with The City of Cardiff Council. At the yearend there was £1,250,000 (2022: £1,500,000) due to The City of Cardiff Council.

### 31. 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.