Nottingham City Transport Limited

Annual Report and Financial Statements

For the 52 week period ended 28 March 2020

Registered number: 2004967

Nottingham City Transport Limited

Annual Report

Period Ended 28 March 2020

Contents

COMPANY INFORMATION

Company Number	**2004967**
Incorporation	**Nottingham City Transport Limited is incorporated within England and Wales**
Registered Office	**Lower Parliament Street Nottingham NG1 1GG**
Directors **(At the period end. All Directors were Directors for the entire period unless stated)**	**Graham Chapman (Chairman, non-executive, appointed 25 July 2019)** **Executive directors** **Mark J Fowles (Managing) David Astill (Commercial) Rob Hicklin (Finance) Gary Mason (Engineering) Nicola Tidy (Marketing)** **Non-executive directors** **Alex Hornby * Barry Hutton Phil Jackson (appointed 27 August 2019) John Lumbis Angharad Roberts* (appointed 25 July 2019) Audra Wynter* (appointed 9 August 2019)** **(* = member of Audit and Remuneration Committees)**
Company Secretary	**Rob Hicklin**
Principal Bankers	**HSBC 26 Clumber Street Nottingham NG1 3GA**
Principal Legal Advisors	**DLA Piper Prince's Exchange Prince's Square Leeds LS1 4BY**
Auditor	**BDO LLP Regent House Clinton Avenue Nottingham NG5 1AZ**
Online	**www.nctx.co.uk** twitter **@NCT_Buses** facebook **NottinghamCityTransport** Instagram **NCT_buses**

Nottingham City Transport Limited

Annual Report

Period Ended 28 March 2020

STRATEGIC REPORT

The directors present their strategic report for the 52-week period ended 28 March 2020. The annual report and accounts are presented on a Company only basis and are not consolidated, in accordance with s402 of Companies Act 2006, as all subsidiaries are dormant.

PRINCIPAL ACTIVITIES

The Company's principal activities continue to be the operation of buses, primarily in the Nottingham city urban area.

PERFORMANCE AND DEVELOPMENT OF THE BUSINESS

Nottingham City Transport Limited ("NCT") continues to be the principal public transport provider in the Greater Nottingham area. These results are presented against the backdrop of the Covid-19 pandemic in early 2020, which has had far-reaching effects on the business. In summary, the Company's business was materially affected by the pandemic, and subsequent lockdown of the population by the Government, from early March 2020, and this is continuing to the date of this report. Output and patronage levels since early March have been materially down on budget and prior years, thus rendering any meaningful comparisons redundant. At the end of September , the Company is just starting to think about the way back to normality, whatever that may be. The Company has been financially supported by local and national Government in these unprecedented times, and we are immensely grateful for that.

The below must be read with the above paragraph in mind.

Total revenue was £53.915m for the period to 28 March 2020 (2019: £53.689m) with a generally very stable commercial network in the period.

Profit before interest and taxation was £6.181m (2019: £1.520m), which shows an improvement on the 2019 period. This includes, for this period, a £3.601m credit (gross of applicable taxation) under IAS19 due to the gain on curtailment due to the closure of the NCT Final Salary pension scheme in June 2019. This is disclosed separately as an exceptional charge within the Statement of Profit or Loss and Comprehensive Income.

The period saw some small changes in the Company's network in Nottingham, as is common in most periods. Overall, and adjusted to take out March 2019 and 2020 to ensure "like for like" (see definition on page 4) comparability, patronage carried fell overall by 4.44% in the period, with commercial patronage falling by 3.96%, and as adjusted, these percentages change to -2.09% and -1.54%, which, in a national market for bus travel that is seeing material declines all over the country due to socio-economic factors, is at least a comparatively pleasing result.

We are proud to announce that the Company had a hugely successful night at the UK Bus Awards in November 2019. As well as having Jake Moore as a finalist in the "Engineer of the Year" category, we had Sheila Swift win the "Unsung Hero" award, Jatinder Kumar win the prestigious "Bus Driver of the Year" award, while the Company itself came away with the title of "UK Bus Operator of the Year" for a record 5th time. My grateful thanks and congratulations go to these individuals especially, but also to all our employees for helping to cement our position as "best of the best".

Congestion in Nottingham continues to be a major issue to the timely and overall running of the Company's services, with the effects of "unplanned" congestion being the cause of around a half of the Company's "lost mileage". The Company looks forward to continuing to address this issue with key stakeholders in the future. Traffic congestion continues to be highlighted by our industry as the number one threat to our businesses on an ongoing basis. All our customers and stakeholders are interested in making the bus a continuing and improving viable alternative to the car, and other forms of transport.

POSITION OF THE COMPANY AT THE PERIOD END

At the period end, the Company has net assets of £15.975m (2019: £11.450m), as per the statement of financial position. The Company maintains a strong cash flow. Net assets have increased between this period and last largely as a result of the improvement in the IAS19 figures recorded in the statement of financial position which in this period, saw a surplus in both defined benefit pension schemes (albeit unrecognised in the accounts) compared to a net £4.354m deficit in the prior period.

STRATEGIC REPORT (continued)

Fixed asset investment was £22.893m (2019: £5.316m), as 67 new biogas powered double deck buses were purchased, as was planned. The Company continues to invest in technology to benefit its customers, with "tap and go" contactless bank card travel the next step change in our offer, although the introduction of this has been delayed by the Covid-19 situation and is now imminent as at the date of signing this report. . The Company's biogas double decker fleet is the largest in the world, 120 strong at the period end. These buses deliver Euro VI emission standards at the tailpipe (90% less than the buses they have replaced) and an 83% reduction in Co2 emissions when compared to a diesel bus. They thus make a significant contribution to improving Nottingham's air quality.

Total plant, property and equipment investment over the last 5 years has been almost £48m, with investment in vehicles in that period of over £20m.

The results of the two defined benefit pension schemes the Company participates in are shown in note 18. At the period end, under the measures as per IAS19 and IFRIC14, the amounts recognised were:- NCT Final Salary Scheme £NIL (2019: £2.572m in deficit) and legacy LGPS scheme £NIL (2019: £1.782m in deficit), totalling £Nil (2019: £4.354m in deficit). The NCT Final Salary Scheme was closed to future accrual in the period (June 2019), which resulted in the exceptional curtailment gain, under IAS19 accounting, of £3.601m in the period. Continuing management of the Company's pension scheme commitments remains one of the main areas of the Board's focus in the coming years.

KEY PERFORMANCE INDICATORS

The headline figures are reported, as per prior periods, below.

	2020	2019 (restated if necessary)	% Change	2018
Total patronage	**46.959m** **(52 weeks)**	**49.140m** **(52 weeks)**	-4.44	**48.842m** **(52 weeks)**
Commercial patronage	**38.143** **(52 weeks)**	**39.718m** **(52 weeks)**	-3.96	**39.180m** **(52 week average)**
"Like for like" Total patronage	**44.050** **(48 weeks)**	**44.991m** **(48 weeks)**	-2.09	**48.256m** **(52 week average)**
"Like for like" Commercial patronage	**35.722** **(48 weeks)**	**36.280** **(48 weeks)**	-1.54	**38.652** **(52 week average)**
"Like for like" Revenue per PVR	**£198,715**	**£194,175**	+2.34	**£193,835**
"Like for like" Patronage per PVR	**173,664**	**176,858**	-1.81	**190,209**

(PVR - Peak vehicle requirement - is defined as the maximum number of vehicles required for service.)

("Like for like" patronage is defined as patronage on routes that were run for the entirety of the periods above, on the same basis/market conditions. "Like for like" PVR numbers used in the above are 2020: 253.7, 2019: 254.4, 2018: 253.7)

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties are determined by the board from time to time. The executive directors review these risks each year to ensure that they are still valid and to add or take away from the risks below, and report into the main board.

The bus market in the UK is almost totally deregulated outside London and, as such, is inherently a competitive environment. Having said that, Nottingham is fortunate that its two main bus providers, the Company and Trentbarton, are acknowledged in the industry as leading edge companies with excellent service quality backing them up. One of those two companies has been voted UK Bus Operator of the Year at the UK Bus Awards 5 times already since 2000, with NCT winning in 2005, 2012, 2014, 2016 and 2019.

The major risks for NCT continue to relate to cost control, the major components being pensions' costs, as outlined above, and fuel costs (not only now diesel, but biogas as well). The company has closed the Nottingham City Transport Pension Fund to future accrual as of 30 June 2019 (weekly paid employees) or 1 July 2019 (salaried staff), with affected employees transferring to the existing defined contribution scheme at that date. (See note 18 for further details.) The Company has historically used a mixture of fixed price contracts and spot market buying for its diesel requirements. In the period, the Company negotiated fixed prices for around 65% of its usage. From 1 April 2020, the Company has a fix in place for 3.024m litres of diesel over the following 24 months, at 92.96 pence per litre. The Company has also recently agreed a 2 year pay deal for its work force, taking the agreement to March 2021, which helps to control another major cost.

SECTION 172 (1) STATEMENT

The Directors are required to comply with section 172(1) of the Companies Act 2006. This provides that directors must act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a) The likely consequences of any decision in the long term

b) The interests of the company's employees

c) The need to foster the company's business relationships with suppliers, customers and others

d) The impact of the company's operations on the community and the environment

e) The desirability of the company maintaining a reputation for high standards of business conduct, and

f) The need to act fairly between members of the company

The Board believe it is important to consider our purpose and values in our decision making, as these ultimately steer and guide our business; the needs and interests of our colleagues, members, customers and other stakeholders; ethical, community and environmental impacts; and opportunities alongside commercial and potential reputational impacts for our business and brand.

The Board and management take a holistic approach to decision and this approach enables us to demonstrate our commitment to being a responsible and sustainable business.

We do this by making decisions at board level that are fully thought through, with full disclosure of all pertinent information. We recognise that our majority public sector ownership means that decisions can be made in a wider context than just profit, and our owners agree with and support that.

We also engage with our stakeholders through more informal meetings, with members and officers of Nottingham City Council which can steer the board decision making process, if appropriate.

The Board has had regard to wider stakeholder needs when performing their duty, and making decisions throughout the period, as evidenced by the following decisions.

1. Gas buses. The company's investment in gas buses was partly as a response to Nottingham's clean air agenda, promoted by the company's majority owners. The board ensured that the City Council were fully supportive of the move, which will help towards achievement of better air quality in Nottingham in the future. Our employees were fully involved in this process, and were fully trained in the use of these new vehicles.

STRATEGIC REPORT (continued)

SECTION 172 (1) STATEMENT (continued)

2. Exhaust retro-fit. During the period the company further addressed the wider air quality issues within its operating area by using Government grant funding, together with match funding form the company, to retro-fit exhaust treatments to its existing diesel fleet such that all those vehicles are now effectively at a Euro VI standard, as would a brand new diesel bus.

3. Cashless travel. The company is currently in the process of rolling out "EMV" ("tap" to travel, capped price travel by use of an individual's credit or debit card, similar to the London model) to its operation. This will further enable choice among users and (crucially) non-users, at a time when wider congestion, and how the local authorities address it, is a significant issue in Nottingham. It is hoped that the ease with which EMV payment can be used on bus promotes demand and thus takes car journeys off the roads in future, leading to downward pressure on congestion.

4. Effective June 2019, the company reluctantly took the decision to close its final salary pension scheme, as explained further in note 18 on page 42. Cost pressures on the company effectively forced this closure, but in doing so, the company negotiated with its employee representatives such that an alternative pension provision was sourced for those displaced which recognised their service and status, whilst controlling costs.

5. Dividends. The company has acted fairly to its members by suspending dividend payments since the Covid-19 pandemic in March 2020. The board have taken this step reluctantly, but in conjunction with, and with full disclosure to, its two shareholders.

6. Wider policies. The board has approved new polices in the period regarding our wider business conduct, including policies on Modern Slavery/Human Trafficking and terms and conditions of carriage, and the company also takes great pride in its Payment Practice Reporting disclosures and report publication showing that it has very little, if any, issues with late payments made to suppliers. Our Gender Pay Gap reported figures are also generally much lower than national averages, and whilst it is not always easy to improve them, the 2020 report saw a 1.74% improvement in the median gender pay gap. All this lends weight to the Board's aim that employees and suppliers feel confident about dealing with our company.

7. Stakeholder views. The company commissions annual surveys of its customers, and seeks their views on many subjects, consistently over the years, in order to both be aware of what matters most to customers and to show improvement in those key areas. The 2019 survey showed record levels of satisfaction in all areas. Whilst this is very pleasing, the board is fully behind the idea that all can be further improved in future.

CARBON AND ENERGY MANAGEMENT

As a large company, the company has to produce Streamlined Energy & Carbon Report ("SECR") Report for this, and future years, under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the 2018 Regulations).

The following meets the requirements of the 2018 Regulations. The energy and carbon emissions reported below reflect the latest annual financial reporting period that concluded on 28th March 2020.

Summary

As an overview, NCT uses electricity and gas to light, power and heat its premises, but its major energy consumption comes from energy used to power its fleet of 300 buses, namely diesel (180 vehicles at the year end) and compressed natural gas (120 vehicles at the year end). There are other energy consumption areas in the company but these have not been reported due to their de minimis levels. Audit analysis of the company's energy supply data and its road fuel records confirms that NCT used no energy resources for industrial processes. The proportion of energy used for the company's transport activities was calculated to be dominant at around 95% of its total energy consumption.

STRATEGIC REPORT (continued)

Energy Usage and Greenhouse gas emissions

SECR Scope	Fuel Type	Quantity	Unit	KWh equivalent	Factor	tonnes of CO2	% CO2
1	Diesel road fuel	4,938,929	Litres	52,253,869	2.51	12,396.7	74.0%
1	CNG road fuel	2,998,793	KG	18,472,566	0.18352	3,390.1	20.2%
2	Half hourly electricity	2,184,261	kWh	2,184,261	0.23104	504.7	3.0%
1	Heating gas	2,256,593	kWh	2,256,593	0.18352	414.1	2.5%
2	Non half hourly electricity	211,157	kWh	211,157	0.23104	48.8	0.3%
				75,378,446		16,754	100.0%

The energy and carbon information in this report is based on the conversion factors given in the UK Government's GHG Conversion Factors for Company Reporting 2020, as prepared by the Department for Business, Energy & Industrial Strategy together with the Department for Environment, Food & Rural Affairs.

For the latest reporting period it was calculated that the organisation consumed 75.4 million kWh of energy for its buildings and transport fleet. This total amounted to 16,754 tonnes CO2 emissions.

Energy efficiency actions

Throughout the period, there has been a continuing drive to become more carbon efficient. The major initiatives have been:-

- To help address its key environmental impacts the company has under the Government's Ultra-Low Emission Bus Scheme purchased 120 biogas powered buses (and the associated fuelling infrastructure) since 2017 to replace diesel buses. These super environmentally friendly bio-gas buses reduce CO2 emissions by up to 84% compared to equivalent brand-new diesel double-deck buses, using non-fossil derived CNG.
- Exhaust technology has also been retrofitted to around 180 buses during the period ended 28th March 2020, with help from £2.7m from the Government's Clean Bus Technology Fund to bring these remaining diesel buses up to a Euro 6 emission standard.
- Within the company's major buildings there has been an extensive programme to replace older lighting systems with modern efficient LED luminaires that cut electricity consumption by half. In addition, the new lamps offer extensive savings in maintenance charges due to their much longer lifespan and reduced replacement costs.

Calculation methodologies and intensity ratios

The fuel efficiencies of vehicles are monitored individually and reported regularly and the intensities are reported internally to provide benchmarks against which improvements can be measured. The average fuel efficiency for NCT's CNG buses was calculated to be 1.35 miles per kilogramme, while diesel buses returned an average of 1.46 miles per litre.

In terms of the carbon footprint of the company's buses, in terms of mileage travelled, the diesel bus fleet emitted 1.07kg of CO2 per km, and the CNG fleet 0.52 kg of CO2 per km.

The generally accepted metric for buildings energy intensity is expressed in kWh annual consumption per unit of floor area: kWh / sq.ft (sq.mt) / year. These actual reported metrics can be compared with nationally established benchmarks for similar properties to determine the relative energy performances of individual buildings.

For the company's major premises, at Lower Parliament Street, the consumption of heating fuel is well below the national benchmark for other similar buildings, while electricity consumption is somewhat higher. Overall though the calculated KPI of 326 is better than the national benchmark of 370 kWh / sq.mt / year

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS

The future of the business is now more unclear than it has ever been. The Covid-19 pandemic in the UK virtually stopped the economy in April to June 2020, and being a business that people use to travel to places such as work, home, University, shopping and leisure, our business has been materially affected. The help from local and central Government is certainly gratefully received, and the Company is doing what we can to help ourselves and the City of Nottingham return to normality as soon as we possible.

Particularly disappointing has been the delay to the contactless payment system introduction that Covid-19 has caused. However, as I write, this is now being rolled out.

Between April and June 2020, the Company had around 800 employees on the Government's "Job Retention Scheme". The company has seen the vast majority of these return to work in recent months, and it remains in all our interests to have the remaining employees back to work as soon as we are able.

CONCLUSION

The period to 28 March 2020 will be remembered for a long time as the most unprecedented in the Company's history, and this will almost certainly be superceded next period.

Finally, my grateful thanks go to the staff and management at the Company, who have truly shown their worth as "key workers" one and all.

The strategic report was approved on behalf of the Board

G J Chapman

GRAHAM CHAPMAN

Chairman

18 September 2020

Nottingham City Transport Limited

Annual Report

Period Ended 28 March 2020

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52-week period ended 28 March 2020.

Review of business

The results for the period are set out in the Statement of Profit or Loss and Comprehensive Income on page 12.

The level of business and the period end financial position remain satisfactory. A more detailed review of the business is contained in the Strategic Report, on pages 3-5.

Dividends

The directors did not pay an ordinary dividend in the period. (2019: ordinary dividend paid of 22.06 pence per Ordinary "A" and Ordinary "B" share in March 2020, a total of £1,053,000, for the period ended 30 March 2019).

Preference dividends of £288,000 (2019: £288,000) have been paid in the period.

Financial risk management

The principal financial risks to which the Company are exposed are price risk (especially of bus fuel), interest rate risk, credit risk and liquidity risk. These risks, and the risk management measures adopted by the Company, are more fully expanded on in Note 26, page 53.

Directors

The directors of the Company at 28 March 2020, who have been directors for the whole of the period (except where indicated) are,

Executive Directors	**Non-executive Directors**
M J Fowles	G Chapman (Chairman, appointed 25 July 2019)
D Astill	
R Hicklin	A Hornby
G Mason	B Hutton
N Tidy	P Jackson (appointed 27 August 2019)
	J Lumbis
	A Roberts (appointed 25 July 2019)
	A Wynter (appointed 9 August 2019)

The Company maintains insurance for directors and officers in respect of their duties on behalf of the Company.

The Board meets regularly during each year, receiving reports on business performance, other material matters to the business and the risks the business encounters and how it mitigates them. Certain matters are reserved for the Board to make final decisions on.

The Board has two sub committees that meet as required, the Audit Committee and Remuneration Committee. The Audit Committee considers the results and planning of both internal and external audits, as well as any other financial or process related issues, and the Remuneration Committee approves executive remuneration. Both Committees are responsible to the main board.

DIRECTORS' REPORT (continued)

Attendance at Board Meetings

Director attendance at Board meetings during the financial period was as follows

	Main Board meetings attended	Number entitled to attend	Audit Committee meetings attended	Number entitled to attend	Remuneration Committee meetings attended	Number entitled to attend
			Directors at the period end			
M J Fowles	4	5				
R Hicklin	5	5				
G Mason	4	5				
N Tidy	4	5				
D Astill	5	5				
A Hornby	4	5	1	1	1	1
B Hutton	4	5				
J Lumbis	5	5				
G Chapman	4	4				
P Jackson	2	4				
A Roberts	4	4				
A Wynter	3	4				
			Directors who ceased to be directors in the period			
B Parbutt	0	1	1	1	1	1
C Jenkins	0	1				
L Woodings	1	1				
J Collins	0	1				

Employee involvement

The Company's policy is to consult and discuss with employees, through trade union representatives, consultative committees and at meetings, matters likely to affect employees' interests, including financial and economic factors affecting the Company's performance.

Information on matters of concern to employees is given through "hard copy" information bulletins, reports and newsletters, and also via "social media" and email.

The Company is an equal opportunity employer and the aim of its policy is to ensure that no job applicant or employee receives less favourable treatment on the grounds of sex, marital status, physical disability, race, colour, nationality, or ethnic or national origins, or is disadvantaged by conditions or requirements that cannot be shown to be justifiable. Selection criteria and procedures will be frequently reviewed to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities. All employees will be given equal opportunity and, where appropriate, special training, to progress within the organisation. The Company is committed to a programme of action to make this policy fully effective.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered taking into account the aptitudes and abilities of the applicant concerned.

Where employees become disabled, the Company endeavours to continue to employ such people provided there are duties which they can perform bearing in mind the handicap or disability.

It is the policy of the Company that training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees.

DIRECTORS' REPORT (continued)

Directors' responsibilities

The directors are responsible for preparing the strategic report and 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 company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Going concern considerations

The Directors have prepared detailed trading and cash flow forecasts for the Company including sensitivity and reverse stress testing scenarios. These forecasts show that the Company will be able to continue to operate and pay its liabilities as they fall due for payment for at least twelve months from the date of approval of these financial statements ("going concern assessment period"). The key assumptions in the forecasts are that the Government will continue to support the Company to at least December 2020 and if passenger numbers are not back to a sustainable level, that further cost reduction measures will be implemented accordingly.

The Directors confirm that there are unprecedented levels of uncertainty of outcomes related to the impact of COVID-19 on the Company in the going concern assessment period. During the early stage of the lockdown and following Government announcements regarding the use of public transport, passenger numbers were down on budget by 87.5% in the 13 week period to 27 June 2020. At the time of approval of the financial statements, passenger numbers have increased to around 50% of prior year and budget as the relaxation of lockdown restrictions take effect. The Directors have forecast passenger numbers to continue to increase as people return to work and students return back to school and the local Universities. The assumptions in the forecast anticipate passenger numbers reaching 80% of prior year/budget from December 2020.

Cost management initiatives have been and are in place such as furloughing employees and reducing discretionary expenditure, as well as re-profiling fuel deliveries. In addition, the company has received payments from the Government through the COVID-19 Bus Services Support Grant ("CBSSG") restart package and this grant is expected to continue until at least December 2020. As at the date of approval of the financial statements, the Government has not confirmed an end date for the grant although the DfT has indicated that it will continue providing the grant "until a time when the funding is no longer needed", however the DfT has further stated that "the Government has the right to review and end the funding at any point". The DfT and the Government are expected to review the grant scheme every 4 weeks and an 8 week notice period will be given before funding ceases. Modifications to the scheme can be made at 1 weeks notice.

DIRECTORS' REPORT (continued)

Going concern considerations (continued)

The Directors recognise that the continued uncertainty around passenger numbers due to businesses in the Company's operating area being reluctant to allow employees back to offices, and Universities and schools not yet confirming the extent of student attendance. This uncertainty and any further lockdown restrictions could result in passenger numbers decreasing to below current levels. In addition, the possibility that the CBSSG restart package will cease or be modified during the going concern assessment period meaning that additional cost measures would need to be introduced or this could result in the Company requiring further funds from the Government. This presents an increase in the risks to the operations and cash flows of the Company during this unprecedented time, which may materially affect the trading and cash flow forecasts. These factors indicate the existence of material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern.

Should the material uncertainties arise, the variable cost base means that the directors can implement further cost management initiatives such as reducing service levels and employee numbers, cancelling leases and selling buses and reviewing operational bases in order to reduce costs accordingly to reflect the decline in passenger numbers. In addition, the current bank balance of the Company is c.£7m which will also support the business in the going concern assessment period. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments that would be necessary if the Company was unable to continue as a going concern.

Provision of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that any director is aware, there is no relevant audit information of which the company and the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing his report and to establish that the company and the Company's auditor is aware of that information.

By order of the board

Rob Hicklin
Company Secretary
18 September 2020

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

Opinion

We have audited the financial statements of Nottingham City Transport Limited ("the Company") for the period ended 28 March 2020 which comprise the Statement of Profit or Loss and Comprehensive Income, *the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows* and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 March 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 Company 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.

Material uncertainty related to going concern

We draw attention to note 1.1 to the financial statements, which includes details on the continued uncertainty around passenger numbers as a result of Covid-19 restrictions and the potential impact on the Company's trading and cash flow forecasts and the uncertainty related to the end date of the COVID-19 Bus Services Support Grant (CBSSG). These uncertainties could result in the Company having to make further cost reduction measures or to obtain additional funding. As stated in note 1.1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAM CITY TRANSPORT LIMITED (continued)

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 Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAM CITY TRANSPORT LIMITED (continued)

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.

Laurie Hannant (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Nottingham

September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Profit or Loss and Comprehensive Income

	Note	52 week period ended 28 March 2020	52 week period ended 30 March 2019
		£'000	£'000
Revenue	**2**	**53,915**	53,689
Operating costs		**(51,335)**	(51,409)
Exceptional item	**5 b)**	**3,601**	(760)
Profit before interest and taxation		**6,181**	1,520
Finance income	**3**	**65**	84
Finance costs	**4**	**(952)**	(840)
Profit before taxation	**5**	**5,294**	764
Income tax expense	**8**	**(921)**	(301)
Profit for the period attributable to equity shareholders of the parent		**4,373**	463
Other Comprehensive Income:			
Items that will not be reclassified in future periods			
Actuarial gain/(loss) on defined benefit pension plans net of income tax (i)	**18**	**152**	(876)
Total Comprehensive Income for the period attributable to equity shareholders of the parent		**4,525**	(413)

(i) The income tax relating to each component of Other Comprehensive Income is detailed in note 17.

The notes on pages 20 to 60 form part of these financial statements

Statement of Financial Position at 28 March 2020 Company Number 2004967

	Note	28 March 2020	30 March 2019
		£'000	£'000
<u>Assets</u>			
Non-current assets			
Property, plant and equipment	10	**56,190**	**40,892**
Current assets			
Inventories	11	452	449
Trade and other receivables	12	2,504	2,677
Investment		-	2,027
Current tax assets		50	-
Cash and cash equivalents	13 a)	8,730	6,196
		11,736	**11,349**
<u>Liabilities</u>			
Current liabilities			
Trade and other payables	15	7,829	8,231
Finance leases	14 a)	6,295	4,501
Preference shares	14 b)	2,883	2,883
Current tax liabilities		-	779
Provisions	16	1,347	1,417
		18,354	**17,811**
Net current (liabilities)		**(6,618)**	**(6,462)**
Non-current liabilities			
Finance leases	14 a)	26,397	13,649
Deferred tax liabilities	17	2,717	1,479
Government grant	15	4,483	3,498
Pension scheme deficit	18	-	4,354
		33,597	**22,980**
Net assets		**15,975**	**11,450**
Shareholders' equity attributable to owners			
Ordinary shares	19	4,770	4,770
Share premium account		630	630
Retained earnings		10,575	6,050
Total equity		**15,975**	**11,450**

The financial statements were approved and authorised for issue by the Board, and were signed on its behalf on 18 September 2020.

Rob Hicklin
Finance Director

The notes on pages 20 to 60 form part of these financial statements

Statement of Changes in Equity

		Share capital	Share premium	Retained earnings	Total
		£'000	£'000	£'000	£'000
At 31 March 2018	**Note**	**4,770**	**630**	**7,516**	**12,916**
Profit for the period		-	-	463	463
Actuarial (loss) on defined benefit plan (net of income tax))		-	-	(2,713)	(2,713)
Movement on restriction on pension asset recognised	**18**	-	-	1,837	1,837
Total Comprehensive Income for the period		-	-	(413)	(413)
Ordinary dividends paid		-	-	(1,053)	(1,053)
At 30 March 2019		**4,770**	**630**	**6,050**	**11,450**
Profit for the period		-	-	4,373	4,373
Actuarial gain on defined benefit plan (net of income tax)		-	-	5,937	5,937
Movement on restriction on pension asset recognised	**18**	-	-	(5,785)	(5,785)
Total Comprehensive Income for the period		-	-	4,525	4,525
At 28 March 2020		**4,770**	**630**	**10,575**	**15,975**

Reserves

Share premium account

The share premium account represents amounts subscribed for share capital in excess of nominal value.

Retained earnings

The retained earnings represents cumulative profits or losses net of dividends paid and other adjustments.

The notes on pages 20 to 60 form part of these financial statements

Statement of Cash Flows

	Note	28 March 2020	30 March 2019
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	**20 a)**	**7,334**	8,132
Tax paid		**(547)**	(329)
Net cash from operating activities		**6,787**	7,803
Net cash flows from investing activities	**20 b)**	**1,834**	(1,102)
Cash flows from financing activities			
Capital repayments of lease finance	**20 c)**	**(6,394)**	(6,365)
Interest paid on lease finance		**(627)**	(533)
Dividends paid on ordinary shares		**-**	(1,053)
Government grants received		**1,222**	-
Dividends paid on preference shares		**(288)**	(288)
Net cash used in financing activities		**(6,087)**	(8,239)
Net increase/(decrease) in cash and cash equivalents		**2,534**	(1,538)
Cash and cash equivalents at 30 March 2019		**6,196**	7,734
Cash and cash equivalents at 28 March 2020		**8,730**	6,196

The notes on pages 20 to 60 form part of these financial statements

Notes to the Financial Statements

1.1 Accounting policies

General Information

Nottingham City Transport Limited is a private limited company incorporated in England and Wales. Its registered office is Lower Parliament Street, Nottingham NG1 1GG. Its principal activity is the operation of commercial local bus services in the City of Nottingham.

Basis of Preparation

The financial statements have been prepared in accordance with IFRSs as adopted by the European Union, International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

The financial statements are presented in pounds sterling, the functional and presentational currency of the Company, and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

Going Concern

The Directors have prepared detailed trading and cash flow forecasts for the Company including sensitivity and reverse stress testing scenarios. These forecasts show that the Company will be able to continue to operate and pay its liabilities as they fall due for payment for at least twelve months from the date of approval of these financial statements and the date of signing the audit report ("going concern assessment period"). The key assumptions in the forecasts are that the Government will continue to support the Company to at least December 2020 and if passenger numbers are not back to a sustainable level, that further cost reduction measures will be implemented accordingly.

The Directors confirm that there are unprecedented levels of uncertainty of outcomes related to the impact of COVID-19 on the Company in the going concern assessment period. During the early stage of the lockdown and following Government announcements regarding the use of public transport, passenger numbers were down on budget by 87.5% in the 13 week period to 27 June 2020. At the time of approval of the financial statements, passenger numbers have increased to around 50% of prior year and budget as the relaxation of lockdown restrictions take effect. The Directors have forecast passenger numbers to continue to increase as people return to work and students return back to school and the local Universities. The assumptions in the forecast anticipate passenger numbers reaching 80% of prior year/budget from December 2020.

Cost management initiatives have been and are in place such as furloughing employees and reducing discretionary expenditure, as well as re-profiling fuel deliveries. In addition, the company has received payments from the Government through the COVID-19 Bus Services Support Grant ("CBSSG") restart package and this grant is expected to continue until at least December 2020. As at the date of approval of the financial statements, the Government has not confirmed an end date for the grant although the DfT has indicated that it will continue providing the grant "until a time when the funding is no longer needed", however the DfT has further stated that "the Government has the right to review and end the funding at any point". The DfT and the Government are expected to review the grant scheme every 4 weeks and an 8 week notice period will be given before funding ceases. Modifications to the scheme can be made at 1 weeks notice.

The Directors recognise that the continued uncertainty around passenger numbers due to businesses in the Company's operating area being reluctant to allow employees back to offices, and Universities and schools not yet confirming the extent of student attendance. This uncertainty and any further lockdown restrictions could result in passenger numbers decreasing to below current levels. In addition, the possibility that the CBSSG restart package will cease or be modified during the going concern assessment period meaning that additional cost measures would need to be introduced or this could result in the Company requiring further funds from the Government. This presents an increase in the risks to the operations and cash flows of the Company during this unprecedented time, which may materially affect the trading and cash flow forecasts. These factors indicate the existence of material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern.

Notes to the Financial Statements

1.1 Accounting policies (continued)

Should the material uncertainties arise, the variable cost base means that the directors can implement further cost management initiatives such as reducing service levels and employee numbers, cancelling leases and selling buses and reviewing operational bases in order to reduce costs accordingly to reflect the decline in passenger numbers. In addition, the current bank balance of the Company is c.£7m which will also support the business in the going concern assessment period. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments that would be necessary if the Company was unable to continue as a going concern.

New accounting standards and interpretations applied

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the financial statements for the period ended 28 March 2020.

During the period, the Group has adopted the following new and revised standards and interpretations. Their adoption has not had any significant impact on the accounts or disclosures in these financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- IFRS 9 (amended) Prepayment Features with Negative Compensation
- IAS 19 (amended) Employee Benefits Plan Amendment, Curtailment or Settlement
- IAS 28 (amended) Long-term Interests in Associates and Joint Ventures

IFRS 16 is adopted for the first time in these financial statements. The nature and impact of adoption are discussed below:

IFRS 16 removes the distinction between "operating" and "finance" leases and, with this, leases which would have been previously deemed as "operating" – based on an assessment of the balance of risk and reward transferred – are now recognised on the balance sheet with the creation of a "right-of-use" asset and an associated lease liability reflecting future lease payments. The risk/ reward distinction criteria of IAS 17 are removed and the aforementioned treatment applies to all lease contracts where it is deemed the lessee has the right to direct an identified asset's use and to obtain substantially all the economic benefits from that use (termed "control" under IFRS 16). In the income statement, the operating lease charges which would have been recognised under IAS 17 are replaced by an IFRS 16 depreciation and interest charge.

The impact of the application of IFRS 16 was not material to the net assets or profit for the period or prior period due to meeting the criteria of short-term or low value leases as defined in IFRS 16 which are recognised as an operating expense on a straight-line basis over the term. Prior year balances have not been restated for IFRS 16.

Notes to the Financial Statements

1.1 Accounting policies (continued)

New accounting standards and interpretations applied (continued)

The adoption of IFRS 9 has changed the company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.. Based on an assessment of historic credit losses on the Company's financial assets and the likelihood of the occurrence of future credit losses on existing financial assets, the Directors consider that there are no material impairment losses to be recognised against the Company's financial assets.

New Accounting Standards and Interpretations Not Yet Effective

The Company has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020);
- Amendments to IFRS 3 Business Combinations – Definition of a Business (effective 1 January 2020);
- Definition of Material – Amendments to IAS 1 and IAS 8 (effective 1 January 2020);
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective 1 January 2020);
- COVID-19-related Rent Concessions – Amendment to IFRS 16 Leases (effective 1 June 2020);
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective 1 January 2022*);
- Amendments to: IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and
- Contingent Assets (effective 1 January 2022); and Annual Improvements to IFRSs (2018-2020 Cycle): IFRS 1; IFRS 9; Illustrative Examples Accompanying IFRS 16; and IAS 41 (effective 1 January 2022).

* Note that the IASB has voted to propose a one-year deferral of the effective date to 1 January 2023.

Revenue recognition

Revenue, which excludes value added tax, represents gross amounts receivable by the Company for services provided in the ordinary course of business. Revenue is measured at fair value of consideration received or receivable.

Revenue that is receivable from individuals or groups of individuals to travel on our transport services is accounted for with the objective that the revenue is recognised in the profit or loss in the period in which the related travel occurs. This can involve some estimation – for example, revenue from the sale of season tickets and travelcards, that entitle individuals to use certain of our services during a specified period of time, is deferred within liabilities and recognised in the income statement over the period covered. The recognition of season ticket and travelcard income is generally recorded on a straight-line basis over the applicable period.

In Nottingham, travel on an operating company's services can be sold by other travel operating companies as well as other travel retailers. Furthermore, certain tickets for travel can be sold which provide the holder with a choice of operators to travel with. In light of those factors, our revenue includes amounts receivable from individuals or groups of individuals to travel that is attributed to operating companies by Nottingham City Council. Nottingham City Council administers the income allocation system and allocates revenue to operators principally on agreed models of route usage.

Amounts that are receivable from Government bodies in respect of travel by individuals on our transport services is also recognised in the profit or loss in the period in which the related travel occurs.

Notes to the Financial Statements

1.1 Accounting policies (continued)

Financial instruments

Directors determine the classification of its financial instruments at initial recognition and re-evaluate this position at every reporting date into the following categories.

Financial assets

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash investments with a maturity in excess of three months at inception are classified as investments carried at amortised cost. They are held at fair value on the statement of financial position. All other cash investments are classified as cash equivalents.

Gains and losses arising from changes in the fair value of available for sale financial assets are recognised in Other Comprehensive Income.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

Interest Bearing Borrowings

Interest bearing borrowings are stated at amortised cost using the effective rate method. The effective rate method is a method of calculating the amortised costs of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments through the expected life of the financial liability.

Trade payables

Trade payables are not interest bearing and are stated at original invoice value, which approximates to fair value, as creditor days are relatively low and therefore the effect of discounting is not material.

Leases

The company recognises a right-of-use asset and a corresponding lease liability for all lease agreements in which it is the lessee (with the exception of short-term and low value leases as defined in IFRS 16 which are recognised as an operating expense on a straight-line basis over the term).

Leases are capitalised at the lease's inception at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other financial liabilities. The interest element of the finance cost is charged to the profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over the useful life of the asset.

Notes to the Financial Statements

1.1 Accounting policies (continued)

Provisions

Provisions are recognised when:

- The Company has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of economic resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect any one item included in the same class of obligations may be small.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain.

Property, plant and equipment

Property, plant and equipment is held at cost including any incidental expenses of acquisition less accumulated depreciation. An assessment is made at the end of each statement of financial position date for any indications of impairment or change in useful economic life, and residual value.

Depreciation is provided to write off the cost of property, plant and equipment, less the directors' estimate of the residual value, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal lives used for this purpose are:

	Years
Freehold buildings	50
Short leasehold	Life of the lease
Plant and equipment	3 to 10
Public Service vehicles	10 to 13

Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease. Freehold land is not depreciated.

Assets in the course of construction are not depreciated until the asset concerned is fully operational.

Borrowing costs

Borrowing costs associated with funding the construction of an asset over a substantial period are capitalised as part of cost of that asset during the period when construction is taking place. Other borrowing costs are expensed when they are incurred.

Inventories

Inventories are stated at the lower of cost (which, in general, is determined on a first in first out basis and includes transport and handling costs) and net realisable value. Provision is made where necessary for obsolete, slow moving or defective inventory.

Notes to the Financial Statements

1.1 Accounting policies (continued)

Taxation

Current tax assets or liabilities are measured at the amount expected to be recovered from or paid to taxation authorities and is determined using the tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using the tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Pensions

The Company operates two defined benefit pension schemes.

- The Nottingham City Transport Pension Fund ("NCTPF")
- The Nottinghamshire Local Government Pension Scheme ("LGPS")

Defined benefit scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognised past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive).

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation/(asset) at the beginning of the annual period to the balance of the net defined benefit obligation/(asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

Income represents the amounts payable by the Company to the fund in respect of the period.

The Company has not recognised the surplus in either defined benefit scheme, as permitted by IAS19 and IFRIC14, as the Company does not have an unconditional right to benefit from the surplus in the future.

The costs of the Company's defined contribution pension scheme are recognised as incurred.

Notes to the Financial Statements

1.1 Accounting policies (continued)

Cash and cash equivalents

Cash comprises cash in hand and on demand deposits for a period no more than 3 months from inception of deposit. Cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved, declared and communicated to the shareholders.

Government Grants

Government grants relating to depreciable assets are initially credited to a deferred income account and are recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

Government grants relating to income are credited profit or loss on a systematic basis over the periods in which the entity recognises, as expenses, the related costs for which the grants are intended to compensate.

1.2 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Pensions

In order to manage the risks of the pension deficit being misstated the directors have obtained professional advice on the critical estimates from the scheme actuaries. In addition, estimates concerning general economic trends have been informally benchmarked against other companies in the same sector with defined benefit pension schemes.

In accordance with local Government pension scheme rules, the assets of the scheme are not specifically allocated to particular scheduled or admitted bodies (such as the various councils and related companies such as Nottingham City Transport). Rather than the Company being allocated a nominal percentage share of the total assets, a bespoke investment strategy is adopted for the Company's liabilities in that the pension assets are notionally invested in the bond portfolio in the overall LGPS fund in order to more appropriately reflect the mature profile of the members in the fund.

See note 18 for details for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligations.

Provisions

See note 16 for details for disclosure of the Company's insurance liabilities and provisions. Estimates are made of the likely value of a claim when reported and adjusted and amended through the claim's life. The amount held in the statement of financial position at a point in time is the sum of the estimated claims' values.

Notes to the Financial Statements

1.2 Critical accounting estimates and judgements (continued)

Residual values and useful economic lives of property, plant and equipment

The nature of the Company's operations mean that a significant level of property, plant and equipment is held. In determining the annual depreciation charge estimates are made as to the useful economic life and residual value of the different assets. The estimates are based on the Company's experience of profit or loss on disposal of assets as well and industry benchmarks and current market conditions.

See also note 10.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Notes to the Financial Statements

2 Revenue

All of the Company's revenue arises in the United Kingdom and is attributable to one class of business.

An analysis of the main sources of revenue is given below:

	28 March 2020	30 March 2019
	£'000	£'000
Revenue received direct from passengers	**44,265**	43,517
Concessionary revenue	**8,380**	8,426
Other(i)	**1,270**	1,746
Continuing operations	**53,915**	53,689

Notes

(i) Included within other income are principally payments for operating tendered & contracted routes and advertising revenue.

3 Investment income

	28 March 2020	30 March 2019
	£'000	£'000
Investment income		
Bank interest receivable	**28**	34
Net interest relating to defined benefit pension schemes	**37**	50
Total investment income from continuing operations	**65**	84

Notes to the Financial Statements

4 Finance costs

	28 March 2020	30 March 2019
	£'000	£'000
Finance costs:		
On share capital classified as debt:		
Preference share dividends	**288**	288
On loans:		
Leases	**627**	507
Other finance charges:		
Net interest relating to defined benefit pension schemes	**36**	43
Other interest	**1**	2
Total finance costs	**952**	840

Notes to the Financial Statements

5 Profit before taxation

a) Profit before taxation is stated after charging/(crediting):

	28 March 2020	30 March 2019
	£'000	£'000
Changes in inventories of finished goods	(3)	1
Raw materials and consumables used	5,749	7,236
Depreciation of property, plant and equipment assets:		
- owned	2,006	2,161
- under finance leases	3,938	3,272
Operating lease charge on short term, low value leases:		
- plant and machinery	5	10
- other	124	122
Fees payable to the Company's auditor for		
- the audit of the Company's annual financial statements	38	36
- other services provided	-	-
And after crediting:		
- Rent receivables (net of outgoings)	12	5
Profit on disposal of property, plant and equipment	85	108

b) Exceptional items

	28 March 2020	30 March 2019
	£'000	£'000
GMP Equalisation (a)	-	(760)
Curtailment Gain (b)	3,601	-
	3,601	(760)

(a) A one off cost of £760k has been recognised in the NCTPF as a result of a legal judgement on GMP Equalisation

(b) A one off gain of £3,601k has been recognised as a result of the NCTPF's closure to future accrual from the end of June 2019

Notes to the Financial Statements

6 Key management personnel

	28 March 2020	30 March 2019
	£'000	£'000
Short term employee benefits (emoluments)	**690**	651
Post-employment benefits (pensions)	**2**	9
	692	660

The directors have reviewed the allocation of responsibilities within the Company, and concluded that the key management personnel, as defined in "IAS 24: Related Party Disclosures" are the executive and non-executive directors. In addition to the costs set out above the Company incurred employers national insurance costs of £89,000 (2019: £84,000) and cash contributions to final salary related pension schemes of £53,000 (2019: £45,000) resulting in a total cost to the Company for key management personal of £835,000 (2019: £789,000).

No non-executive director receives any remuneration from the Company for their role as a non-executive director and hence none have been included in the note above.

Highest paid director

	28 March 2020	30 March 2019
	£'000	£'000
Aggregate emoluments	**220**	202

Contributions to the highest paid director's pension were £Nil (2019: £Nil)

The number of directors (including non-executives) accruing benefits from the Company under pension schemes at 28 March 2020 was:

	2020	2019
	Number	Number
Defined Contribution scheme	**4**	2
Defined Benefit scheme	**-**	3

Notes to the Financial Statements

7 Staff costs

Staff costs, including directors' emoluments, for the Company were as follows:

	28 March 2020	30 March 2019
	£'000	£'000
Wages and salaries	**27,714**	26,963
Social security costs	**2,539**	2,460
Other pension costs	**2,549**	4,191
	32,802	33,614

The average monthly employee numbers during the period, including executive directors, were:

	2020	2019
	Number	Number
Drivers	**858**	840
Engineering and administration	**271**	273
	1,129	1,113

Notes to the Financial Statements

8 Income tax expense

Analysis of income tax expense in the period

	28 March 2020	30 March 2019
	£'000	£'000
Current tax		
- current period	**-**	547
- prior period	**(282)**	(4)
Total current tax (credit)/expense	**(282)**	543
Deferred tax		
- current period	**1,243**	(242)
- adjustment in respect of prior periods	**(40)**	-
Total deferred tax expense/(credit)	**1,203**	(242)
Total tax expense	**921**	301

Deferred tax charges of £35,000 (2019: £179,000 credits) in respect of pension scheme movements have been recognised directly through the Statement of Changes in Equity.

Notes to the Financial Statements

8 Income tax expense (continued)

Reconciliation of income tax expense

The tax for the period is lower (2019: higher) than the standard rate of corporation tax in the UK (19% – 2019: 19%). The differences are explained below.

	28 March 2020	30 March 2019
	£'000	£'000
Profit before taxation	**5,294**	764
Profit at standard rate of corporation tax in the UK: 19% (2019: 19%)	**1,006**	145
Adjustments to tax in respect of prior periods	**(322)**	(4)
Expenses not deductible for tax purposes	**68**	73
Change in tax rates applied	**169**	87
Total tax expense	**921**	301

9 Dividends

	28 March 2020	30 March 2019
	£'000	£'000
Dividends of shares classified as debt: (see note 4)		
Preference share dividend accrued (10.0 pence per share)	**288**	288
Dividends of shares classified as equity: (see note 19)		
Ordinary share dividend paid	**-**	1,052
Total dividends paid and accrued	**288**	1,340

During the period the Company did not pay a dividend on the ordinary A or ordinary B shares (2019: 22.06 pence per share on ordinary A shares totalling £1,000,000 and 22.06 pence per ordinary B share totalling £53,000).

Notes to the Financial Statements

10 Property, plant and equipment

	Land and Buildings					
	Freehold	Short Leasehold	Assets under the course of construction	Public service vehicles	Plant and Equipment	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 31 March 2018	**2,068**	**690**	**404**	**60,217**	**12,937**	**76,316**
Additions	-	-	1,601	3,510	205	5,316
Transfer	-	-	(329)	202	127	-
Disposals	-	-	-	(4,171)	(42)	(4,213)
At 30 March 2019	**2,068**	**690**	**1,676**	**59,758**	**13,227**	**77,419**
Additions	-	-	1,302	21,388	293	22,983
Transfer	-	-	(2,393)	783	1,610	-
Disposals	-	-	-	(11,371)	(67)	(11,438)
At 28 March 2020	**2,068**	**690**	**585**	**70,558**	**15,063**	**88,964**
Depreciation						
At 31 March 2018	**841**	**649**	**-**	**25,470**	**7,769**	**34,729**
Charge for the period	31	28	-	4,205	1,169	5,433
Disposals	-	-	-	(3,593)	(42)	(3,635)
At 30 March 2019	**872**	**677**	**-**	**26,082**	**8,896**	**36,527**
Charge for the period	31	13	-	4,743	1,157	5,944
Disposals	-	-	-	(9,630)	(67)	(9,697)
At 28 March 2020	**903**	**690**	**-**	**21,195**	**9,986**	**32,774**
Net book amount						
At 28 March 2020	**1,165**	**-**	**585**	**49,363**	**5,077**	**56,190**
At 30 March 2019	**1,196**	**13**	**1,676**	**33,676**	**4,331**	**40,892**
At 31 March 2018	**1,227**	**41**	**404**	**34,747**	**5,168**	**41,587**

Notes to the Financial Statements

10 Property, plant and equipment (continued)

Assets held under finance leases have the following net book amount:

	2020	2019
	£'000	£'000
Net book amount	**45,260**	30,574

The assets held under finance leases are included within Public Service Vehicles. Liabilities in respect of finance leases are secured over the respective individual assets.

11 Inventories

	2020	2019
	£'000	£'000
Engineering spares and consumables	**214**	249
Fuel and Oil	**238**	200
	452	449

The replacement value of stocks is not materially different from that reported above.

The engineering spares and consumables are stated net of provisions of £30,000 (2019: £30,000). The amount credited in the period for provisions is £NIL. (2019: credited £19,000).

Notes to the Financial Statements

12 Trade and other receivables

	2020	2019
	£'000	£'000
Current		
Trade receivables	**271**	449
Other receivables	**287**	718
Prepayments and accrued income	**1,667**	1,503
Amounts due from parent undertaking	**272**	-
Amounts due from subsidiary undertakings	**7**	7
	2,504	2,677

The amount credited in respect of writedowns for trade receivables in the period was £Nil (2019: £Nil).

13 Cash and cash equivalents

a) Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash at bank and in hand	**11**	11
Fixed term deposits	**8,719**	6,185
	8,730	6,196

b) Investments carried at amortised cost

	2020	2019
	£'000	£'000
Fixed term deposits	**-**	2,027

Notes to the Financial Statements

14 Financial liabilities

a) Finance leases

The minimum payments under finance lease obligations fall due as follows	**2020**	2019
	£'000	£'000
Payments due within one year	**6,874**	4,855
Payments due between one and five years	**20,524**	11,686
Payments due after more than five years	**7,199**	2,638
Total payments	**34,597**	19,178
Less future finance charges	**(1,905)**	(1,028)
Financial liabilities in respect of finance leases	**32,692**	18,150

The present value of finance lease liabilities is analysed as follows:

	2020	2019
	£'000	£'000
Within 1 year	**6,295**	4,501
Later than 1 year and no later than 5 years	**19,331**	11,057
Later than 5 years	**7,066**	2,592
Financial liabilities in respect of finance leases	**32,692**	18,150

The Company, in the ordinary course of business, enters into finance lease agreements to fund the purchase of new vehicles and other plant items of a long-term nature. The agreements are typically for periods of 8 years, and do not have any contingent rent or escalation clauses. Agreements are secured over the assets subject to the agreements.

The balance of the liability is at fixed interest rates, which range between 1.53% and 4.16%.

Notes to the Financial Statements

14 Financial liabilities (continued)

b) Preference share capital

Authorised, issued and fully paid preference shares of £1 each	Shares	£'000
At 30 March 2019 and 28 March 2020	**2,882,750**	**2,883**

The above preference shares are classified as debt under IAS 32 "Financial Instruments: Presentation" and do not carry any voting rights. The preference shares are cumulative, non-voting shares, carrying a coupon rate of 10% per annum. They are convertible at the shareholder's option at any time into "B" Ordinary Shares at the rate of 3.64 preference shares to 1 "B" Ordinary Shares. On any return of assets or liquidation of the Company, the preference shares carry preferential rights as to redemption. The preference shares can be redeemed in the ordinary course of business at any date at the request of the Company or the shareholder, and are therefore classified as Current financial liabilities.

15 Trade and other payables

	2020	2019
	£'000	£'000
Trade payables	**797**	1,454
Other tax and social security	**562**	660
Preference dividends payable	**143**	143
Government grant	**625**	371
Accruals	**5,702**	5,603
	7,829	8,231

Following a number of customers cancelling the unused portion of previously purchased season tickets, approximately £600,000 of deferred income has been refunded to customers subsequent to the year end.

The following amounts are due after more than 1 year

	2020	2019
	£'000	£'000
Government grant	**4,483**	3,498

The Government grant referred to above relates to a grant from the Office of Low Emission Vehicles, which is a capital grant towards the building of a bio-gas compression and fuelling station at the Company's Parliament Street premises, and a contribution towards the extra costs of 53 bio-gas powered buses over their diesel powered equivalent. The grant is being released to profit over the same period as the capital item it relates to is depreciated.

Notes to the Financial Statements

16 Provisions

	Insurance claims
	£'000
At 31 March 2018	**1,090**
Additional provisions	1,414
Provisions released	(476)
Amounts used/paid out	(611)
At 30 March 2019	**1,417**
Additional provisions	1,431
Provisions released	(567)
Amounts used/paid out	(934)
At 28 March 2020	**1,347**

The insurance claims provision relates to the motor vehicle policy claims against Nottingham City Transport Limited of a value under the insurance policy excess. Settlement of these claims is uncertain as to timing and exact value. Amounts payable are not discounted, because the effect is immaterial.

The Company provides transport services directly to the general public and thus maintains insurance relating to its on bus activities to cover for third party injury and damage. The excess on this policy is £125,000.

In order to manage this risk:

- The Company maintains insurance cover for large claims, and works closely with their insurance company on the claim management process; and
- The Company has a specialist in house claims handling department who record and manage all claims; and
- The Company continually invests in staff training to reduce the risk of accidents.

Notes to the Financial Statements

17 Deferred tax

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the date of the Statement of Financial Position.

The standard rate of UK corporation tax is currently 19%, and there are no changes to this in any future legislation at the time of these accounts.

The movement on the deferred tax account is as shown below, with liabilities shown as positive:

	£'000
As at 31 March 2018	**1,900**
Deferred tax credit on profit for the period relating to continuing operations	(242)
Deferred tax credit arising from actuarial gains included as another component of comprehensive income	(179)
As at 30 March 2019	**1,479**
Deferred tax charge on profit for the period relating to continuing operations	819
Deferred tax in current period relating to pensions	792
Deferred tax due to losses in the current period	(368)
Deferred tax due to prior periods	(40)
Deferred tax credit arising from actuarial gains included as another component of comprehensive income	35
As at 28 March 2020	**2,717**

Notes to the Financial Statements

17 Deferred tax (continued)

The movements in deferred tax assets and liabilities during the period are shown below, analysed by the source of the temporary differences and prior to the offsetting of balances within the same jurisdiction as permitted by IAS12 "Income Taxes".

Deferred tax assets	Losses carried forward	Net pension liability	Total
	£'000	£'000	£'000
At 31 March 2018	**-**	**610**	**610**
Credited to Statement of Comprehensive Income/ Statement of Changes in Equity	-	440	440
At 30 March 2019	**-**	**1,050**	**1,050**
Credited to Statement of Comprehensive Income/ Statement of Changes in Equity	368	(827)	(459)
Prior period restatements	-	(111)	(111)
At 28 March 2020	**368**	**112**	**480**

Deferred tax liabilities	Tax allowances on assets	Total
	£'000	£'000
At 31 March 2018	**2,510**	**2,510**
Charged to Statement of Comprehensive Income/ Statement of Changes in Equity	19	19
At 30 March 2019	**2,529**	**2,529**
Charged to Statement of Comprehensive Income/ Statement of Changes in Equity	819	819
Prior period restatements	(151)	(151)
At 28 March 2020	**3,197**	**3,197**

Deferred tax assets and liabilities are offset because there is a legally enforceable right of offset and an intention to settle the balances net. All the deferred tax assets and liabilities relate to a single jurisdiction.

	2020	2019
	£'000	£'000
Assets	**480**	1,050
Liabilities	**(3,197)**	(2,529)
Net liability	**(2,717)**	(1,479)

Notes to the Financial Statements

18 Retirement benefit obligations

The Company contribute to three pension schemes. The schemes are:

- The Nottingham City Transport Pension Fund ("NCTPF") (defined benefit ("DB"))
- The Nottinghamshire Local Government Pension Scheme ("LGPS") (DB)
- The Nottingham City Transport Stakeholder Scheme ("NCTS") (a defined contribution ("DC") scheme)

Defined benefit scheme characteristics and funding:

- The NCTPF provides employees with a pension on retirement equal to 1/80th of their final salary, with an additional lump sum on retirement of 3/80^{ths} of final salary, multiplied by years' service. The scheme was closed to new entrants in December 2010. Contributions are calculated by a separate triennial actuarial valuation.

  The NCTPF was closed to future accrual as of 30 June (monthly paid staff) or 1 July (weekly paid staff) 2019.

- The LGPS is a legacy of the Company's formation in October 1986, when all employees, as employees of Nottingham City Council, were members of this scheme. The Company's participation in the Scheme for new entrants closed at that date, but accrual continues under the terms and conditions of the wider LGPS.

Both schemes are legally separate from the Company and administered by a separate fund. The board of trustees of the NCTPF is made up of representatives of the Company and member nominated trustees, as well as an independent chair. By law, the board of trustees is required to act in the best interests of participants to the schemes and has the responsibility of setting investment, contribution, and other relevant policies.

The LGPS operates under the rules relating to public sector schemes and the Company has no influence in that regard.

The schemes are exposed to a number of risks, including:

- Investment risk: movement of discount rate used against the return from plan assets
- Interest rate risk: decreases/increases in the discount rate used will increase/decrease the defined benefit obligation
- Longevity risk: changes in the estimation of mortality rates of current and former employees.
- Salary risk: increases in future salaries increase the gross defined benefit obligation.
- Inflation risk decreases/increases in the inflation rate used will decrease/increase the defined benefit obligation.

Employees not participating in a defined benefit scheme are generally eligible to join the NCTS, subject to automatic enrolment legislation.

In the period to 27 March 2021, the Company expects to contribute £1,340,000 into its defined benefit schemes.

In respect of the NCTS the contributions paid to this scheme were £1,058,000 (2019 - £685,000). There are no balances outstanding at the period end in respect of this scheme (2019: £NIL).

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

The amounts recognised on the Statement of Financial Position were as follows (for the DB schemes only):

As at 28 March 2020	**NCTPF**	**LGPS**	**TOTAL**
	£'000	**£'000**	**£'000**
Equities/Diversified Growth Funds	**48,342**	**-**	**48,342**
Bonds/Gilts	**-**	**60,608**	**60,608**
Liability Driven Investment funds	**22,633**	**-**	**22,633**
Cash	**1,381**	**-**	**1,381**
Fair value of assets	**72,356**	**60,608**	**132,964**
Present value of obligations	**(66,788)**	**(60,391)**	**(127,179)**
Net surplus not recognised	**(5,568)**	**(217)**	**(5,785)**
Surplus recognised in the Statement of Financial Position at 28 March 2020	**-**	**-**	**-**

As at 30 March 2019	NCTPF	LGPS	TOTAL
	£'000	£'000	£'000
Equities/Diversified Growth Funds	49,958	-	49,958
Bonds/Gilts	-	62,629	62,629
Liability Driven Investment funds	23,551	-	23,551
Cash	640	-	640
Fair value of assets	74,149	62,629	136,778
Present value of obligations	(76,721)	(64,411)	(141,132)
(Deficit) recognised in the Statement of Financial Position at 30 March 2019	(2,572)	(1,782)	(4,354)

An asset-liability matching strategy is implemented by the NCTPF which analyses the risk and return of scheme assets against the schemes strategic investment policies. Key aspects of the Schemes strategic investment fund include:

- Strategic asset mix consisting of no more than 70% of "growth" assets (e.g. diversified growth funds), liability driven investment funds being the balance
- Management of interest rate and inflation risk through use of liability driven investment funds.
- Management of currency risk through the use of currency hedged investments

The Company's share of assets of the LGPS is notionally entirely invested in Government and corporate bonds, reflecting the extreme weighting of the Company's membership of that scheme towards pensioners and deferred members over active members. These policies are consistent with those in the prior period.

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

In 2020, the Company has not accounted for an asset to be recognised under neither the NCTPF or the LGPS under the provisions of IFRIC14, as the Company does not have an unconditional right to benefit from the surplus in the future.

The major categories of the plans' assets as a percentage of the total plans' assets are as follows

	2020	2019
	%	%
Equities/DGFs	**36.4**	36.5
Bonds/Gilts	**45.6**	45.8
LDI funds	**17.0**	17.2
Cash	**1.0**	0.5
	100.0	100.0

The amounts recognised in the Statement of Comprehensive Income are as follows:

52 week period ended 28 March 2020	**NCTS**	**NCTPF**	**LGPS**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**
Current service costs	**-**	**592**	**417**	**1,009**
Past service costs (see below)	**-**	**-**	**86**	**86**
Total defined benefit costs	**-**	**592**	**503**	**1,095**
Defined contribution costs	**1,454**	**-**	**-**	**1,454**
Total included in staff costs (note 7)	**1,454**	**592**	**503**	**2,549**
Interest income on assets	**-**	**1,694**	**1,374**	**3,068**
Interest cost on liabilities	**-**	**(1,657)**	**(1,410)**	**(3,067)**
Total included as a Finance cost (notes 3/4)	**-**	**37**	**(36)**	**1**
Scheme admin costs	**-**	**289**	**25**	**314**

Amount recognised in the Statement of Comprehensive Income :

52 week period ended 28 March 2020	
	£'000
Net actuarial movement	**187**
Less: attributable taxation (Note 17)	**(35)**
Total included in other Comprehensive Income	**152**

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

52 week period ended 30 March 2019	NCTS	NCTPF	LGPS	TOTAL
	£'000	£'000	£'000	£'000
Current service costs	-	2,320	426	2,746
Past service costs (see below)	-	760	-	760
Total defined benefit costs	-	3,080	426	3,506
Defined contribution costs	685	-	-	685
Total included in staff costs (note 7)	685	3,080	426	4,191
Interest income on assets	-	1,735	1,491	3,226
Interest cost on liabilities	-	(1,778)	(1,441)	(3,219)
Total included as a Finance cost (notes 3/4)	-	(43)	50	7
Scheme admin costs	-	246	23	269

Amount recognised in the Statement of Comprehensive Income :

53 week period ended 30 March 2019	
	£'000
Net Actuarial movement	(1,055)
Less: attributable taxation (Note 17)	179
Total included in other Comprehensive Income	(876)

There are no balances outstanding at the period end in respect of the Company's defined contribution pension scheme (2019: £NIL).

The past service costs figure for the period ended 30 March 2019 reflects the incorporation of the adjustment required to the NCTPF's liabilities as a result of incorporating the GMP adjustments as a result of the Lloyds Bank case in late 2018. This has been recognised as exceptional within profit and loss.

There is no requirement for such an adjustment in the LGPS disclosure as such an adjustment is already incorporated. This is in line with the Treasury's opinion that the Lloyds Bank case judgement does not affect public sector pension schemes.

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

The movements in the total present value of the defined benefit obligations were as follows.

	NCTPF	LGPS	2020	NCTPF	LGPS	2019
	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of period	**76,721**	**64,411**	**141,132**	71,870	60,561	132,431
Current service cost	**592**	**417**	**1,009**	2,320	426	2,746
Past service costs	**-**	**86**	**86**	760	-	760
Interest cost on liabilities	**1,657**	**1,410**	**3,067**	1,778	1,441	3,219
Exceptional curtailment gain	**(3,601)**	**-**	**(3,601)**	-	-	-
Members' contributions paid	**152**	**64**	**216**	619	67	686
Actuarial gains and losses	**(4,622)**	**(3,143)**	**(7,765)**	1,537	5,438	6,975
Benefits paid	**(4,111)**	**(2,854)**	**(6,965)**	(2,163)	(3,522)	(5,685)
At end of period	**66,788**	**60,391**	**127,179**	76,721	64,411	141,132

Past service costs in the LGPS includes an £86,000 charge for the effects of what is known as the "McCloud/Sergeant judgement". (2019: £760,000 charge in the period for the cumulative effect of Guaranteed Minimum Pension ("GMP") equalisation on the NCTPF's liabilities.)

The exceptional curtailment gain arises in the period as a result of the closure of the NCTPF to future accrual at the end of June 2019, and is disclosed as exceptional on the basis that this is a non-recurring amount.

Movements in the total fair value of scheme assets were as follows

	NCTPF	LGPS	2020	NCTPF	LGPS	2019
	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of period	**74,149**	**62,629**	**136,778**	68,658	62,398	131,056
Interest income on assets	**1,694**	**1,374**	**3,068**	1,735	1,491	3,226
Return on assets (excluding interest income)	**(860)**	**(899)**	**(1,759)**	2,235	2,365	4,600
Actuarial gains and losses	**-**	**(34)**	**(34)**	-	(517)	(517)
Employer contributions – regular	**303**	**353**	**656**	1,306	370	1,676
Employer contributions – lump sum/other	**1,318**	**-**	**1,318**	2,005	-	2,005
Members' contributions paid	**152**	**64**	**216**	619	67	686
Benefits paid	**(4,111)**	**(2,854)**	**(6,965)**	(2,163)	(3,522)	(5,685)
Scheme admin costs	**(289)**	**(25)**	**(314)**	(246)	(23)	(269)
At end of period	**72,356**	**60,608**	**132,964**	74,149	62,629	136,778

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

The principal actuarial assumptions (in percentage points) used were as follows

	2020	**2020**	2019	2019
	NCTPF	**LGPS**	NCTPF	LGPS
Rate of increase in salaries	**N/a**	**2.45**	3.15	2.90
Rate of increase in pensions in payment	**1.70 – 2.65**	**2.05**	2.2 - 3.3	2.50
Discount rate	**2.35**	**2.35**	2.35	2.25
Inflation (RPI)	**2.65**	**2.95**	3.4	3.5

The weighted average duration of the defined benefit obligation at 28 March 2020 is 16 years for the NCTPF (2019: 17 years) and 9 years for the LGPS (2019: 10 years).

The life expectancy assumptions for each scheme are periodically reviewed. The weighted average life expectancies assumed at 28 March 2020 were

	NCTPF	**LGPS**
	Years	**Years**
Current pensioner aged 65 – male	**20.1**	**20.8**
Current pensioner aged 65 – female	**23.2**	**23.3**
Future pensioner aged 65 (aged 45 now) – male	**21.8**	**22.5**
Future pensioner aged 65 (aged 45 now) – female	**25.0**	**25.1**

The expected return on plan assets is based on expectations at the beginning of the period for returns over the entire life of the benefit obligation. The expected returns are set in conjunction with external advisors and take account of market factors, fund managers' views and targets for future returns, and, where appropriate, historical returns.

The net actual return on plan assets for the period was £1,309,000 (2019: (£7,826,000)).

The cumulative actuarial losses recognised in Other Comprehensive Income are £12,645,000 (2019: £12,832,000)

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumption constant, is presented in the table below:

Actuarial assumption	Reasonably possible change	Defined benefit obligation increase	Defined benefit obligation decrease
NCTPF	**%**	**£'000**	**£'000**
Discount rate	**+/- 0.1%**	**1,249**	**1,285**
Future salary increase	**+/- 0.1%**	**N/a**	**N/a**
Mortality rates	**+/- 1 year**	**2,044**	**2,036**
Inflation	**+/- 0.1%**	**636**	**962**
LGPS			
Discount rate	**+/- 0.1%**	**742**	**752**
Future salary increase	**+/- 0.1%**	**54**	**53**
Mortality rates	**+/- 1 year**	**3,631**	**3,417**
Inflation	**+/- 0.1%**	**700**	**691**

Extrapolation of the sensitivity analysis beyond the ranges shown may not be appropriate.

Notes to the Financial Statements

19 Called up share capital

	Note	2020 £'000	2019 £'000
Authorised shares classed as equity			
4,532,000 "A" ordinary shares of £1 each		**4,532**	4,532
1,030,705 "B" ordinary shares of £1 each		**1,031**	1,031
		5,563	5,563
Authorised shares classed as debt			
2,882,750 Preference shares of £1 each	**14 b)**	**2,883**	2,883
		8,446	8,446
Allotted, called up and fully paid shares classed as equity			
4,532,000 "A" ordinary shares of £1 each		**4,532**	4,532
238,526 "B" ordinary shares of £1 each		**238**	238
		4,770	4,770
Allotted, called up and fully paid shares classed as debt			
2,882,750 Preference shares of £1 each	**14 b)**	**2,883**	2,883
		7,653	7,653

Shares classified as equity

The "A" and "B" Ordinary shares have identical properties and both carry one vote per share.

Notes to the Financial Statements

20 Statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities:

a) Cash generated from operations:

	2020	2019
	£'000	£'000
Profit before taxation attributable to equity holders	**5,294**	764
Adjustments for:		
IAS 19 Curtailment gain on closure of pension scheme to future accrual	**(3,601)**	-
Interest receivable	**(65)**	(84)
Interest expense	**952**	840
Depreciation	**5,944**	5,433
(Profit) on disposal of property, plant and equipment	**(85)**	(108)
Release of grants	**(515)**	(372)
Current and past service cost of defined benefit plan	**1,095**	3,506
Pension scheme administration costs	**314**	269
Changes in working capital:		
(Increase) in inventories	**(3)**	(1)
Decrease in trade and other receivables	**173**	66
(Decrease)/increase in trade and other payables	**(125)**	1,173
(Decrease)/Increase in other provisions	**(70)**	327
Employer contributions to defined benefit plan	**(1,974)**	(3,681)
Cash generated from operations	**7,334**	8,132

Notes to the Financial Statements

20 Statement of cash flows (continued)

b) Cash flows from investing activities

	2020	2019
	£'000	£'000
Purchase of property, plant and equipment	**(2,047)**	(1,825)
Proceeds of disposal of property, plant and equipment	**1,826**	686
Proceeds from maturity of short term investments	**2,027**	-
Interest received	**28**	37
Net cash flows from investing activities	**1,834**	(1,102)

c) Reconciliation of liabilities arising from financing activities.

	2018	Repaid	New leases	2019	Repaid	New leases	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Short term lease liabilities	**5,377**	(1,862)	986	**4,501**	(715)	2,509	**6,295**
Long term lease liabilities	**15,647**	(4,503)	2,505	**13,649**	(5,679)	18,427	**26,397**
Total liabilities from financing activities	**21,024**	(6,365)	3,491	**18,150**	(6,394)	20,936	**32,692**

Notes to the Financial Statements

21 Major non-cash transactions

During the period, the Company entered into finance lease agreements in respect of fixed assets with a total capital value at the inception of the agreements of £20,396,000 (2019: £3,491,000).

22 Capital commitments

At the statement of financial position date, the Company was committed to the following capital expenditure:

	2020	2019
	£'000	£'000
Company commitments	-	20,048

The capital commitments in 2019 represented committed spend on 67 new bio-gas powered buses, and the remainder of the expanded CNG plant.

23 Contingent liabilities

Contingent liabilities exist in respect of claims for compensation arising from accidents involving the Company's vehicles. In the opinion of the directors, after allowing for provisions already made and the extent of such claims covered by insurance, no significant additional liabilities are expected to arise.

24 Related party transactions

The amount of concessionary fare reimbursement from Nottingham City Council (the ultimate controlling party) in the period is £6,200,000 for the English National Concessionary Travel Scheme. (2019: £6,200,000).

During the period Nottingham City Transport Limited has received £NIL (2019: £37,000) from Nottingham City Council in respect of councillors passes, ex-employee passes and other special passes provided.

The Company paid net business rates to Nottingham City Council for certain of its operating premises in the period of £266,000 (2019: £260,000), paid £65,000 (2019: 62,000) in respect of the Workplace parking levy, and rents certain of its operating premises from Nottingham City Council, paying an annual rent of £8,000 (2019: £8,000).

The Company also operates various routes on tenders let by Nottingham City Council. The net payment received under these tenders in the period was £175,000 (2019: £116,000).

At the period end, the Company had the following balances with Nottingham City Council, under normal trading arrangements:-Trade receivables £272,000 (2019: £75,000) and £Nil (2019: £78,000) under Trade payables.

During the period the Company received £Nil (2019: £Nil) from Nottingham City Council as payment towards work on the bus network carried out by the Company on behalf of Nottingham City Council. At the period end £442,000 (2019: £531,000) is included within accruals and deferred income relating to future costs expected to be incurred.

At the period end, the Company had an outstanding balance of £Nil (2019: £10,000) relating to monies received from Nottingham City Council relating to contributions to real time information investment.

The Company participates in the "Robin Hood" multi-operator ticket scheme in Nottingham, which is administered by Nottingham City Council. During the period, the Company received £4,883,000 (2019: £4,902,000) from Nottingham City Council in respect of the scheme, and the amount accrued in Other Receivables in the Statement of Financial Position at the period end was £546,000 (2019: £658,000).

Notes to the Financial Statements

24 Related party transactions (continued)

During the period no dividend was paid to Nottingham City Council, who own the "A" Ordinary shares. (2019: £1,000,000). No dividend was paid to Transdev plc, who own the "B" Ordinary shares (2019: £53,000). A preference dividend of £288,000 (2019: £288,000) was paid to Transdev plc.

25 Leasing commitments - minimum lease payments

Under IFRS 16 the below leases are exempt from recognition as a right of use asset. See accounting policies note 1.2 for further commentary.

At 28 March 2020, the Company had the following total commitments under operating leases:

	2020	2019
	Land and buildings	Land and buildings
	£'000	£'000
Commitments under non-cancellable operating leases:		
Due within one year	**104**	104
Between one and five years	**82**	171
After more than five years	**-**	15
Total	**186**	290

The leases are for the Company's premises at Angel Row, Nottingham (staff canteen, lease payments £15,000 per year until February 2025) and Smithy Row, Nottingham (Travel Centre, lease payments £89,000 a year until July 2021).

26 Financial risks

The Company's operations expose it to a number of financial risks. A risk management programme has been established to protect the Company against the potential adverse effects of these financial risks. There have been no significant changes in these financial risks since the prior period.

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Company is not materially exposed to foreign currency risk. The Company is exposed to road fuel (diesel and bio-gas) price risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. The Company is largely unexposed to interest rate risk, except in terms of interest receivable on cash balances and interest payable on certain financing agreements. Interest rate risk arises from interest bearing financial assets and liabilities that the Company uses. Interest bearing assets consist of cash and cash equivalents and other loans, which are considered to be short-term assets. Interest rate liability risk arises from the use of some linked rate agreements, where the rate of interest charged over the life of the agreement varies according to a margin above a certain rate, generally base rate. It is the Company's policy to settle liabilities within the terms allowed and thus not incur interest on overdue balances.

Notes to the Financial Statements

26 Financial risks (continued)

The Company manages interest rate risk on borrowings by generally fixing the rates at which finance lease agreements are transacted. At the period-end, none (2019: none) of the Company's finance lease debt by value was at a variable rate.

The risk of entering into arrangements that become uncompetitive over the life of the lease is managed by:

- Maintaining a panel of asset finance providers to ensure that competitive rates can be negotiated;
- Reviewing the affordability of additional leases by comparing the total cash repayments to the expected net operating cash flows in the relevant period;
- Placing cash on short term fixed rate deposit.

Only financial assets and liabilities that are at a variable rate are included in the tables below.

2020

			Interest rate risk	
			-0.25%	**+0.25%**
	Average interest rate	**Carrying amount**	**Profit and Equity**	**Profit and Equity**
		£'000	**£'000**	**£'000**
Financial assets				
Cash and cash equivalents	**0.2%**	**8,730**	**(23)**	**23**
Total increase/(decrease)			**(23)**	**23**

2019

			Interest rate risk	
			-0.25%	+0.25%
	Average interest rate	Carrying amount	Profit and Equity	Profit and Equity
		£'000	£'000	£'000
Financial assets				
Cash and cash equivalents	0.2%	6,196	(16)	16
Total increase/(decrease)			(16)	16

Notes to the Financial Statements

26 Financial risks (continued)

The average rates both receivable and payable are calculated as the simple average effective interest rate (a simple average of the average monthly rates receivable and payable). The tables above show the effects on profit after tax and equity if interest rates at that date had been 1% higher or lower, with all other variables held constant. A sensitivity of 0.25% has been chosen, as this is considered reasonable given the current level of interest rates applicable. The Company's sensitivity to interest rates has not changed materially from the prior period.

Road Fuel price risk

The Company used around 5.0m litres of diesel and 45 MWh (3.0m kg) of bio-gas on its commercial services in the period, and the price of these commodities fluctuates.

In order to manage this risk:

- The Company reviews spot prices and trends on a regular basis
- The Company uses fixed price future supply contracts for road fuel when appropriate, in order to ensure certainty of prices.
- The Company buys the balance of its required fuel on the spot market, using a panel of suppliers

The spot price of diesel has varied between approximately 85.4 and 104.5 pence per litre during the period, with an average price of around 100.3 pence per litre. Every penny movement, either way, in the spot price paid by the Company would have an annual effect of approximately £50,000 on Profit and Equity for the full period. The percentage effect is exacerbated by the Bus Service Operator's Grant ("BSOG") that the Company receives, which currently reimburses the Company 34.57 pence per litre for every litre of diesel it uses on qualifying local bus services. The BSOG received in the period amounted to £2,562,000 (2019: £2,920,000) and was credited to the Statement of Comprehensive Income. Thus, the price of a litre of diesel on a "net" basis varied from around 50.8 pence per litre to 69.9 pence per litre.

The Company was party to one fixed price diesel supply contract pertinent to the period to 28 March 2020, for 3.024m litres of diesel in total at a price of 96.21p per litre for the period 1 April 2019 to 31 March 2020.

Liquidity Risk

The Transport Act 1985 essentially prevents the Company from obtaining private sector loans. This increases the risk that the Company will not be able to fund their investment plans or general trading balances.

The Company manages this risk by:

- Maintaining substantial cash reserves
- Funding their investment in the vehicle fleet through finance leases and arrangements, which are permitted; and
- Incorporating these borrowing restrictions into the board's strategic planning process.

Management review the 5 year plans made by the Board every year, to ensure sufficient cash is generated and maintained. The Company's net debt position at 28 March 2020 was £26.846m (2019: £12.810m).The average creditor payment period is 37 days (2019: 36 days).

Notes to the Financial Statements

26 Financial risks (continued)

Contractual maturity analysis for financial liabilities

2020 £'000	**Not later than one month**	**Later than one month and not later than three months**	**Later than three months and not later than one year**	**Later than one year and not later than five years**	**Later than five years**	**Total carrying amount**
Trade payables	**797**	**-**	**-**	**-**	**-**	**797**
Redeemable preference shares	**2,883**	**-**	**-**	**-**	**-**	**2,883**
Finance leases agreements	**536**	**1,040**	**4,719**	**19,331**	**7,066**	**32,692**
Accruals	**5,702**	**-**	**-**	**-**	**-**	**5,702**
Preference dividends	**-**	**143**	**-**	**-**	**-**	**143**
	9,918	**1,183**	**4,719**	**19,331**	**7,066**	**42,217**

2019 £'000	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Later than five years	Total carrying amount
Trade payables	1,454	-	-	-	-	1,454
Redeemable preference shares	2,883	-	-	-	-	2,883
Finance lease agreements	-	-	4,501	11,057	2,592	18,150
Accruals	5,602	-	-	-	-	5,602
Preference dividends	-	143	-	-	-	143
	9,939	143	4,501	11,057	2,592	28,232

26 Financial risks (continued)

The preference shares are convertible at any time by request of the shareholder. The preference shares can be redeemed at any time after 1 January 2005 by request of the shareholder, and at any time after 1 January 2010 at the request of the Company.

All financial assets are categorised as financial assets measured at amortised cost, and all financial liabilities are categorised as financial liabilities measured at amortised cost.

The Company analyses its financial instruments into the following classes: available for sale investments, trade receivables, other receivables, amounts due from subsidiary undertakings, fixed term deposits, loans, preference shares, finance lease and obligations, trade payables, preference dividends payable, and accruals. The carrying amounts of these financial instruments have been disclosed in the notes to these financial statements.

Fair value of financial instruments

The Company has not separately disclosed the fair value of financial instruments, as, in the opinion of the directors, there is no material difference between the fair value and the carrying value of any financial instrument.

Credit risk

The Company invests some of its funds with financial institutions for periods of up to 12 months at a time. The Company's policy is that any institution lent to must have a Fitch short term rating of at least AA, and any institution cannot have short-term investments greater than £2m deposited at any time. Concentrations of credit risk with respect to customers is negligible due to the business operated in, the customer base being large and unrelated, with a small average transaction value. Major customers are assessed for creditworthiness, and strict credit limits are imposed and regularly reviewed. The Company's maximum exposure to credit risk, without taking into account any collateral held, is:

Company	**2020**	2019
Financial assets	**£'000**	£'000
Trade receivables	**271**	449
Other current assets	**1,954**	2,221
Cash and cash equivalents	**8,730**	6,196
	10,955	8,866

Debtor age analysis is also evaluated on a regular basis for potential doubtful debt. It is the directors' opinion that no further provision is required. The Company allows an average debtor payment period of 35 days (2019: 42 days). The Company reserves the right to charge interest on overdue debt where applicable, at above current bank rate. The Company makes provision for debt where applicable. The general policy is for debt greater than 90 days past due to be 100% provided.

The investments, being short-term cash deposits held to maturity, classified as amortised cost, have maturity dates ranging from 1 to 3 months from the balance sheet date and return a fixed interest rate of between 0.10% and 0.25%.

26 Financial risks (continued)

£000	Not impaired	Not impaired but past due by the following amounts					Impaired not covered by allowance	Total carrying amount
		30 days or less	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days		
2020 Trade receivables	**102**	**169**	**-**	**-**	**-**	**-**	**-**	**271**
2019 Trade receivables	340	109	-	-	-	-	-	449

Financial assets relating to other current assets and cash and cash equivalents for the Company are not impaired or past due (2019: not impaired or past due).

Allowances for credit losses

	2020	2019
	£'000	£'000
Allowances at 30 March 2019 and at 28 March 2020	**4**	4

Notes to the Financial Statements

27 Capital management

The Company considers total capital as equity as disclosed on the statement of financial position plus net debt.

The Company's objectives when managing capital is

- *To safeguard the Company's ability to continue as a going concern, so that it can provide returns* and benefits for shareholders
- To ensure that creditors can be paid on time, in accordance with trading arrangements

The Company manages capital in proportion to risk. The Company monitors capital so that its debt (finance leases, preference shares and loans), less cash, should be less than twice the level of total equity.

	2020	2019
	£'000	£'000
Total debt		
Finance leases	**32,693**	18,150
Preference shares	**2,883**	2,883
Net debt	**35,576**	21,033
Cash and cash equivalents	**(8,730)**	(8,223)
Net debt less cash and cash equivalents	**26,846**	12,810
Total equity	**15,975**	11,450
Ratio of net debt less cash and cash equivalents to total equity	**1.68**	1.12

28 Ultimate controlling party

Nottingham City Transport Limited is a majority owned subsidiary of Nottingham City Council, which is the ultimate controlling party.

The parent undertaking of the largest group for which consolidated accounts are prepared is Nottingham City Council. Consolidated accounts are available from Nottingham City Council at Loxley House, Nottingham NG2 3NG, or via their website at www.nottinghamcity.gov.uk .