Nottingham City Transport Limited

Annual Report and Financial Statements

For the 52 week period ended 27 March 2021

Registered number: 02004967

Nottingham City Transport Limited

Annual Report

Period Ended 27 March 2021

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Annual Report

Period Ended 27 March 2021

COMPANY INFORMATION

Company Number	**02004967**
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)** **<u>Executive directors</u>** **Mark J Fowles (Managing, resigned 1 April 2021)** **David Astill (Commercial, Managing from 2 April 2021)** **Rob Hicklin (Finance)** **Gary Mason (Engineering)** **Ben Potgieter (HR, appointed 3 September 2021)** **Nicola Tidy (Marketing, resigned 3 September 2021)** **<u>Non-executive directors</u>** **Alex Hornby *** **Barry Hutton** **Phil Jackson** **John Lumbis (resigned 21 November 2020)** **Angharad Roberts*** **Audra Wynter*** **(* = 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** **Two Snowhill** **Birmingham** **B4 6GA**
Online	**<u>www.nctx.co.uk</u>** twitter **@NCT_Buses** facebook **NottinghamCityTransport** Instagram **NCT_buses**

Nottingham City Transport Limited

Annual Report

Period Ended 27 March 2021

STRATEGIC REPORT

The directors present their strategic report for the 52-week period ended 27 March 2021. 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 mid March 2020, and the effects of the continued pandemic continue to the date of this report. Output and patronage levels since mid-March 2020 have been well below prior levels. The Company has provided a near normal service to its customers from July 2020, and has been financially supported by local and national Government in order to do so, and we are immensely grateful for that. That support continues to the date of this Strategic Report.

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

I must first mention the Company's staff. The pandemic has materially disrupted many of our staff's lives, whilst some have seen little change. 170 drivers volunteered to work during the first lockdown, nearly 700 were furloughed, most for 12 weeks. There was a similar pattern in engineering and other "back office" functions. Most staff eventually returned to work, but there have also been some redundancies. Our employees' reaction to the decisions which had to be made was faultless, and whilst no two employees had the same experience of lockdown or furlough, I must begin by thanking them all for their understanding and hard work in this most unprecedented of periods in the Company's history. This still continues.

Total income was £49.681m for the period to 27 March 2021 (2020: £53.915m) with government grants under the Coronavirus Job Retention Scheme ("CJRS") and the Coronavirus Bus Services Support Grant ("CBSSG") totalling £22.328m (2020: £Nil). Service changes notwithstanding, as expanded on below, the commercial network in the period was generally stable.

Profit before interest and taxation was £2.453m (2020: £6.181m), although the disruption to the Company caused by the pandemic renders comparisons almost meaningless. The prior period includes 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 large changes in the commercial network operated in April, May and June 2020, as the initial countrywide lockdown necessitated a reduction in service to "skeleton" levels, carrying around 15% of normally expected patronage, with over 800 employees being furloughed under the CJRS. Overall, and adjusted to ensure "like for like" (see definition on page 4) comparability, patronage carried fell overall by 65.36% in the period, with commercial patronage falling by 65.40%, and as adjusted, these percentages change to -57.55% and -57.70%, which shows the scale of the issues the Company faced and faces.

POSITION OF THE COMPANY AT THE PERIOD END

At the period end, the Company has net assets of £6.190m (2020: £15.975m), as per the statement of financial position. Net assets have decreased between this period and last, largely as a result of the IAS19 figures recorded in the statement of financial position which in this period, saw a large deficit in the legacy Local Government Pension Scheme ("LGPS") in which the Company still participates. The Company is disappointed with the level of the deficit, which is mainly due to discount rate movements. The board has, in conjunction with its majority shareholder, commenced a workstream that will address this issue in the future.

Cashflows have also been put under pressure, as CBSSG, whilst very welcome as noted above, has not arrived with the regularity that the Company's normal cashflows would have. Because the Company has historically carried a relatively large cash balance in its accounts, though, the situation has not resulted in the Company seeking financing on a short or long-term basis for its shareholders or the government, and it continues to "stand on its own two feet". (See also pages 11-12 and 21)

STRATEGIC REPORT (continued)

Fixed asset investment was £1.249m (2020: £22.983m), as there were no buses planned be bought in the year, even without the pandemic. 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, which was introduced in Nottingham in September 2020. 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 just over £45m, with investment in vehicles in that period of nearly £37m.

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 (2020: £Nil) and legacy LGPS scheme £13.354m in deficit (2020: £Nil), totalling £13.354m (2020: £Nil).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.

	2021	**2020**	% Change	2019
Total patronage	**16.265m** (52 weeks)	**46.959m** (52 weeks)	-65.4	**49.140m** (52 weeks)
Commercial patronage	**13.199m** (52 weeks)	**38.143m** (52 weeks)	-65.4	**39.718m** (52 weeks)
"Like for like" Total patronage	**13.364m** (weeks 14-49, exclude University services)	**31.596m** (weeks 14-49, exclude University services)	-57.7	**44.991m** (48 weeks)
"Like for like" Commercial patronage	**10.792m**	**25.422m**	-57.6	**36.280** (48 weeks)
"Like for like" Revenue per PVR (less covid support grants)	**£113,933**	**£198,715**	-44.0	**£194,175**
"Like for like" Patronage per PVR	**55,665**	**173,664**	-68.0	**176,858**

(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 2021: 240.08 (weeks 14-49, excluding University services), 2020: 253.7, 2019: 254.4).

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 7 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 continued to benefit from the 2 year pay deal for its work force, which helped to control another major cost.

Emerging risks and uncertainties include the climate change agenda, and its impact on the fleet. NCT already has 120 CNG powered buses, which are ultra low emission, with a further 23 on order. The Company has almost certainly already bought its last diesel powered bus, but future technology is constantly evolving, with not only electric, but hydrogen fuel cell powered buses already on the road in the UK. The Company will work closely with Nottingham City Council to aid in the Council's "CN28" carbon neutral goal.

Cashflow is also a principal risk, with the current macroeconomic situation uncertain, as is the industry in general, and the Company in particular's, ability to fully recover from the devastating effects of Covid-19. The Company monitors cash flows on a weekly basis, and looks forward 12 months, to identify any "pinch points". As yet, the Company has not required any external funding other than that provided by the government to the industry as a whole. That support is now coming to an end, and the Company is looking to ensure that the cessation of this funding does not cause any undue pressure on cashflows.

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.

STRATEGIC REPORT (continued)

SECTION 172 (1) STATEMENT (continued)

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.

2. Exhaust retro-fit. During the prior 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 has introduced "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 further enables choice among users and (crucially) non-users, at a time when (ordinarily) 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. At the end of 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 1.72 percentage point improvement in the mean 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") 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 27 March 2021.

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 period end) and compressed natural gas (120 vehicles at the period 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 94% of its total energy consumption.

STRATEGIC REPORT (continued)

Energy Usage and Greenhouse gas emissions – period to 27 March 2021

SECR Scope	Fuel Type	Quantity	Unit	KWh equivalent	Factor	tonnes of CO2	% CO2
1	Diesel road fuel	3,284,096	Litres	34,756,648	0.241	8,361.4	54.2%
1	CNG road fuel	2,450,962	KG	33,764,539	0.184	6,208.3	40.2%
2	Electricity	2,097,629	kWh	2,097,629	0.233	489.0	3.2%
1	Heating gas	2,001,177	kWh	2,001,177	0.184	368.0	2.4%
				72,619,993		15,426.7	100.0%

Energy Usage and Greenhouse gas emissions – period to 28 March 2020

(Note that these figures have been recalculated following a review of the prior year disclosures)

SECR Scope	Fuel Type	Quantity	Unit	KWh equivalent	Factor	tonnes of CO2	% CO2
1	Diesel road fuel	4,938,929	Litres	52,253,869	2.510	12,396.7	59.1%
1	CNG road fuel	2,998,793	KG	41,473,307	0.184	7,624.9	36.3%
2	Half hourly electricity	2,184,261	kWh	2,184,261	0.231	504.7	2.4%
1	Heating gas	2,256,593	kWh	2,256,593	0.184	414.1	2.0%
2	Non half hourly electricity	211,157	kWh	211,157	0.231	48.8	0.2%
				98,379,187		20,989	100.0%

Intensity Metric	Period ending 27 March 2021	Period ending 28 March 2020
tCO2e per £m turnover	313.87	389.30
tCO2e / fleet size	48.82	66.42
tCO2e / 1,000km	1.054	1.159

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 72.62 million kWh of energy for its buildings and transport fleet. This total amounted to 15,427 tonnes of 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. A further 23 buses are currently on order, for delivery in early 2022.
- 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 1.45 miles per kilogramme, while diesel buses returned an average of 1.58 miles per litre.

In terms of the carbon footprint of the company's buses, in terms of mileage travelled, the diesel bus fleet emitted 1.00kg of CO2 per km, and the CNG fleet 1.08 kg of CO2 per km.

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS

The future of the business is still very uncertain. 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 possible.

A key driver of this will be how our passengers return to use the bus, which is an issue that the Company will give its all to encourage. As I write, weekly patronage is around 75% of 2019 levels, and rising steadily.

CONCLUSION

The period to 27 March 2021 will be remembered for a long time as the most unprecedented in the Company's history. There will likely be more challenges to come. The Company will face them with a new figurehead, as David Astill took over as Managing Director on Mark Fowles's retirement in April 2021. I would like to formally thank Mark for his huge contribution to the Company's success over his time as Managing Director, and wish him a long and happy retirement.

The board has also said its farewells to Nicola Tidy, after almost 19 years as Marketing and Communications Director. Nicola was instrumental in ushering the company into a new era from her appointment in 2002, and I would also like to thank her for her enormous contribution to the company's success since then. Whilst leaving the board for personal reasons, she remains as an employee in a changed role where her experience will be invaluable.

The board also welcomed Ben Potgieter in September 2021, as Human Resources Director, having been Head of HR since November 2017.

I look forward to continue working with David and the Executive team in the years to come.

Finally, once again, 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

Graham Chapman

GRAHAM CHAPMAN

Chairman

29 October 2021

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52-week period ended 27 March 2021.

Review of business

The results for the period are set out in the Statement of Profit or Loss and Comprehensive Income on page 17.

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 3-8.

Dividends

The directors did not pay an ordinary dividend in the period (2020: £Nil).

Preference dividends of £231,000 (2020: £288,000) have been accrued or 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 58.

Directors

The directors of the Company at 27 March 2021, who have been directors for the whole of the period (except where indicated) are:

Executive Directors	**Non-executive Directors**
M J Fowles (Resigned 1 April 2021)	G Chapman (Chairman)
D Astill	
R Hicklin	A Hornby
G Mason	B Hutton
N Tidy	P Jackson
	J Lumbis (resigned 21 November 2020)
	A Roberts
	A Wynter

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
D Astill	4	4				
M J Fowles	4	4				
R Hicklin	4	4				
G Mason	4	4				
N Tidy	4	4				
G Chapman	4	4	0	1	1	1
A Hornby	3	4	1	1	1	1
B Hutton	4	4				
P Jackson	4	4				
J Lumbis	3	3				
A Roberts	4	4			1	1
A Wynter	4	4	1	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)

Anti-bribery and corruption

The Company takes very seriously its responsibility to prevent corruption and bribery. It has an anti-bribery and corruption policy that all employees are required to acknowledge and conduct themselves in accordance with.

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 accounting standards. 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

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 through payment of grants until at least March 2022 and if passenger numbers are not back to a sustainable level when the grant payments end, that the Company will implement further cost reduction measures.

The Company has received payments from the Government through the COVID-19 Bus Services Support Grant ("CBSSG") restart package until 31 August 2021, this support was replaced from this date by a Bus Recovery Grant ("BRG"), which will run until 15 March 2022. At the date of approval of these financial statements, passenger numbers are back to 75% of pre COVID-19 levels and the Company has a cash balance of c.6m. The Directors consider this cash balance and the provisional amount of BRG allocated to be sufficient to support the Company in operation and to pay its liabilities as they fall due for payment in the going concern assessment period.

There continues to be an element of uncertainty around passenger numbers and the timing and amount of the BRG, however the Directors do not consider these uncertainties to be material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If passenger numbers do not increase to pre-COVID levels in the going concern assessment period or there is a change in the expected timing or amount of the BRG, additional cost measures would be introduced. 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 mitigate a decline in passenger numbers.

Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

DIRECTORS' REPORT (continued)

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
29 October 2021

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 March 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Nottingham City Transport Limited ("the Company") for the period ended 27 March 2021, which comprise the Statement of Profit and 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 Accounting Standards in conformity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and financial statements, 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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)

Other Companies Act 2006 reporting

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

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

- adequate accounting records have not been kept, 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 Statement of Directors' Responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

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

Auditor's responsibilities for the audit of the financial statements (continued)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Enquiring of management and the directors, including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:
  a) identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  b) detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
  c) the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We obtained an understanding of the legal and regulatory frameworks applicable to the Company based on our understanding of the business, sector experience and discussions with management. The most significant considerations are the application of International Accounting Standards, the Companies Act 2006, corporate taxes and VAT legislation, employment taxes, health and safety, environmental and data protection regulations, competition and consumer protection laws, Transport Act and the Bribery Act 2010.
- Discussing amongst the engagement team to assess how and where fraud might occur in the financial statements and any potential indicators of fraud and non-compliance with laws and regulation. As part of this discussion, we identified potential for fraud in the area of management override of controls and revenue recognition, specifically the manipulation of revenue using manual journals.

We executed procedures in line with our responsibilities to detect material misstatements in respect of irregularities, including fraud. These procedures included the following:

- We made enquiries of management and reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations.
- We tested the appropriateness of accounting journals and other adjustments made in the preparation of the financial statements. We have assessed complete population of journals in the period to identify and substantively test any journal entries which we considered were indicative of management override.
- We reviewed the Company's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.
- We also tested manual journals posted to revenue, agreeing them to supporting documentation to check that they were appropriate, correctly recorded and supported by appropriate evidence.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on 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.

DocuSigned by:
Laurie Hannant
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Laurie Hannant (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham, UK

29 October 2021

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 27 March 2021	28 March 2020
		£'000	£'000
Revenue	2 a)	**27,353**	53,915
Other income	2 b)	**22,328**	-
Total Income		**49,681**	53,915
Operating costs		**(47,228)**	(51,335)
Exceptional item	5 b)	**-**	3,601
Profit before interest and taxation		**2,453**	6,181
Finance income	3	**161**	65
Finance costs	4	**(631)**	(952)
Profit before taxation	5	**1,983**	5,294
Income tax expense	8	**(428)**	(921)
Profit for the period attributable to equity shareholders of the parent		**1,555**	4,373
Other Comprehensive (Loss)/income:			
Items that will not be reclassified in future periods			
Actuarial (loss)/gain on defined benefit pension plans net of income tax [(i)]	18	**(18,997)**	5,972
Pension scheme asset not recognised – provision movement		**4,996**	(5,785)
Tax effect of actuarial (loss)/gain on Group defined benefit pension schemes		**2,661**	(35)
Total Comprehensive Loss/(income) for the period attributable to equity shareholders of the parent		**(9,785)**	4,525

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

The notes on pages 21 to 64 form part of these financial statements.

Statement of Financial Position at 27 March 2021 Company Number 02004967

	Note	27 March 2021	28 March 2020
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	**10**	**51,329**	**56,548**
Current assets			
Inventories	**11**	420	452
Trade and other receivables	**12**	9,662	2,504
Current tax assets		50	50
Cash and cash equivalents	**13 a)**	2,248	8,730
Restricted cash	**13 b)**	475	-
		12,855	**11,736**
Liabilities			
Current liabilities			
Trade and other payables	**15**	6,351	8,187
Finance leases	**14 a)**	6,255	6,295
Preference shares	**14 b)**	2,883	2,883
Current tax liabilities		-	-
Provisions	**16**	1,164	1,347
		16,653	**18,712**
Net current (liabilities)		**(3,798)**	**(6,976)**
Non-current liabilities			
Finance leases	**14 a)**	23,336	26,397
Deferred tax liabilities	**17**	484	2,717
Government grant	**15**	4,167	4,483
Pension scheme deficit	**18**	13,354	-
		41,341	**33,597**
Net assets		**6,190**	**15,975**
Shareholders' equity attributable to owners			
Ordinary shares	**19**	4,770	4,770
Share premium account		630	630
Retained earnings		790	10,575
Total equity		**6,190**	**15,975**

The financial statements were approved and authorised for issue by the Board, and were signed on its behalf on 29 October 2021.

Rob Hicklin
Finance Director

The notes on pages 21 to 64 form part of these financial statements.

Statement of Changes in Equity

		Share capital	Share premium	Retained earnings	Total
		£'000	£'000	£'000	£'000
At 29 March 2019	**Note**	**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**
Profit for the period		-	-	1,555	1,555
Actuarial (loss) on defined benefit plan (net of income tax)		-	-	(16,336)	(16,336)
Movement on restriction on pension asset recognised	**18**	-	-	4,996	4,996
Total Comprehensive (Loss) for the period		-	-	(9,785)	(9,785)
At 27 March 2021		**4,770**	**630**	**790**	**6,190**

Reserves

Share premium account

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

Retained earnings

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

The notes on pages 21 to 64 form part of these financial statements.

Statement of Cash Flows

	Note	**27 March 2021**	28 March 2020
		£'000	£'000
Cash flows from operating activities			
Cash (used in)/generated from operations	**20 a)**	**(1,641)**	7,334
Tax paid		**-**	(547)
Net cash (used in)/generated from operating activities		**(1,641)**	6,787
Net cash flows (used in)/generated from investing activities	**20 b)**	**(1,224)**	1,834
Cash flows from financing activities			
Capital repayments of lease finance	**20 c)**	**(3,101)**	(6,394)
Interest paid on lease finance		**(400)**	(627)
Government grants received		**359**	1,222
Dividends paid on preference shares		**-**	(288)
Net cash (used in) financing activities		**(3,142)**	(6,087)
Net (decrease)/increase in cash and cash equivalents		**(6,007)**	2,534
Cash and cash equivalents at 28 March 2020		**8,730**	6,196
Cash and cash equivalents at 27 March 2021		**2,723**	8,730

The cash and cash equivalents above of £2,723,000 include £475,000 of restricted cash at 27 March 2021 (see note 13 b)).

The notes on pages 21 to 64 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, limited by shares. 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 International Accounting Standards 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 through payment of grants until at least March 2022 and if passenger numbers are not back to a sustainable level when the grant payments end, that the Company will implement further cost reduction measures.

The Company has received payments from the Government through the COVID-19 Bus Services Support Grant ("CBSSG") restart package until 31 August 2021, this support was replaced from this date by a Bus Recovery Grant ("BRG"), which will run until 15 March 2022. At the date of approval of these financial statements, passenger numbers are back to 75% of pre COVID-19 levels and the Company has a cash balance of c.6m. The Directors consider this cash balance and the provisional amount of BRG allocated to be sufficient to support the Company in operation and to pay its liabilities as they fall due for payment in the going concern assessment period.

There continues to be an element of uncertainty around passenger numbers and the timing and amount of the BRG, however the Directors do not consider these uncertainties to be material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If passenger numbers do not increase to pre-COVID levels in the going concern assessment period or there is a change in the expected timing or amount of the BRG, additional cost measures would be introduced. 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 mitigate a decline in passenger numbers.

Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Notes to the Financial Statements

1.1 Accounting policies (continued)

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 27 March 2021.

The Company has not adopted any new standards or interpretations in these financial statements. The Board does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company. After Brexit, the UK will continue to apply International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Revenue recognition

The company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the Company expects to be entitled in exchange for those goods or services. Performance obligations of the Company are generally clear and transaction prices are even over the period to which they relate and are time apportioned. Customer compensation is treated as a reduction in revenue.

The Company principally generates revenue from the provision of transport services to its customers.

The Company has a number of revenue streams, as set out below. In general, revenue presented in the Statement of Profit or Loss and Comprehensive Income is recognised at the fair value of the consideration received or receivable. Where appropriate, amounts are shown net of discounts, rebates, VAT and other sales taxes. In line with IFRS 15, Revenue from Contracts with Customers, the Company recognises revenue based on the application of a principles-based "five-step" model. Only when the five steps are satisfied is revenue recognised. The revenue is recognised as performance obligations are satisfied as described below for each significant revenue stream.

a) Commercial revenue

Revenue that is receivable from individuals or groups of individuals to travel on the Company's transport services is accounted for with the objective that the revenue is recognised in the Statement of Profit or Loss and Comprehensive Income in the period in which the related travel occurs. Commercial revenue primarily relates to ticket sales for travel on the Company's transport services. Passenger revenue is recognised in the Statement of Profit or Loss and Comprehensive Income in the period in which the related travel occurs. This can involve some estimation – for example, revenue from the sale of season tickets that entitle individuals to use services during a specified period of time, is deferred within liabilities and recognised in the Statement of Profit or Loss and Comprehensive Income over the period covered. The recognition of season ticket 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 for 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 route usage.

Notes to the Financial Statements

1.1 Accounting policies (continued)

Revenue recognition (continued)

b) Concessionary revenue

The Company receives concessionary revenue from local authorities for transporting certain qualifying individuals free of charge to the passenger. Although the revenue is received from a party other than the person receiving the service, the Company accounts for such revenue in accordance with IFRS 15, Revenue from Contracts with Customers, with the performance obligation being the provision of the free travel to those eligible.

Amounts that are receivable from local authorities in respect of travel by individuals on our transport services are also recognised in the Statement of Profit or Loss and Comprehensive Income in the period in which the related travel occurs. Such amounts are included in revenue because they represent payments for transport services provided. This can involve some estimation – for example, revenue receivable in respect of concessionary travel schemes can involve some negotiation with relevant public authorities on the amount of revenue due and/or be subject to adjustment based on the levels of concessionary travel across a number of operators. Revenue is recognised based on the Company's best estimates of the amounts receivable in respect of travel prior to the Statement of Financial Position date and where it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

c) Other revenue and income

Revenue that is incidental to the Company's principal activity of providing transport services is reported as other revenue. Such revenue is recognised as the service is provided, the amount of revenue can be reliably estimated and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. This includes income from:

- COVID-related grant income;
- selling advertising space on vehicles and premises that the Company operates.

d) Finance income

Finance income is recognised under the effective interest method as interest accrues and is shown separately in the consolidated income statement.

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.

Notes to the Financial Statements

1.1 Accounting policies (continued)

Financial instruments (continued)

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.

Contract liabilities

A contract liability is the obligation to provide services for a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company provides the services, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract. Customers include individuals, corporations and public bodies who pay the Company for transport services. Contract liabilities include amounts in respect of unexpired season tickets and other tickets giving the holder a right to travel on the Company's services after the balance sheet date.

Contract assets

Contract assets include trade receivables, representing amounts that have been invoiced prior to the balance sheet date and which remain outstanding at the balance sheet date.

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 company 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.

Notes to the Financial Statements

1.1 Accounting policies (continued)

Leases (continued)

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 Company 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 company 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.

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.

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)

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.

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.

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 to 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.

Government grants relating to support for the Company regarding the effects of Covid-19 (notably Coronavirus Bus Services Support Grant ("CBSSG") and Coronavirus Job Retention Scheme ("CJRS") are credited to profit or loss on a systematic basis over the periods in which the grants are intended to compensate.

Notes to the Financial Statements

1.1 Accounting policies (continued)

Pensions

The Company operates two defined benefit pension schemes:

- The Nottingham City Transport Pension Fund ("NCTPF"); and
- 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); and
- 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.

The Company does not recognise a 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.

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. Preference dividends, as they are cumulative, are recognised as a liability in the Company's financial statements by the passage of time, if not paid.

Notes to the Financial Statements

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.

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.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment loss is recognised immediately in the income statement

Notes to the Financial Statements

1.2 Critical accounting estimates and judgements (continued)

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 company 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 company 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.

Deferred revenue

Commercial passenger revenue primarily relates to ticket sales for travel on the Company's transport services. Passenger revenue is recognised in the income statement in the period in which the related travel occurs. This can involve some estimation – for example, revenue from the sale of season tickets, 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 income is recorded on a straight-line basis over the applicable period.

Notes to the Financial Statements

2 Revenue

a) Commercial 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:

	27 March 2021	28 March 2020
	£'000	£'000
Revenue received direct from passengers	**18,037**	44,265
Concessionary revenue	**7,786**	8,380
Other(i)	**1,530**	1,270
Continuing operations	**27,353**	53,915

b) Other Income

	27 March 2021	28 March 2020
	£'000	£'000
Covid-19 related government revenue grants	**22,328**	-

Notes

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

3 Finance Income

	27 March 2021	28 March 2020
	£'000	£'000
Finance income		
Bank interest receivable	**16**	28
Net interest relating to defined benefit pension schemes	**145**	37
Total finance income from continuing operations	**161**	65

Notes to the Financial Statements

4 Finance costs

	27 March 2021	28 March 2020
	£'000	£'000
Finance costs:		
On share capital classified as debt:		
Preference share dividends paid and accrued	**231**	288
On finance leases:		
Finance leases interest paid and accrued	**377**	627
Other finance charges:		
Net interest relating to defined benefit pension schemes	**-**	36
Other interest	**23**	1
Total finance costs	**631**	952

Notes to the Financial Statements

5 Profit before taxation

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

	27 March 2021	28 March 2020
	£'000	£'000
Changes in inventories of finished goods	**(32)**	(3)
Raw materials and consumables used	**3,815**	5,749
Depreciation of property, plant and equipment assets:		
- owned assets	**2,406**	2,006
- right of use assets	**4,023**	3,938
Operating lease charge on short term, low value leases:		
- plant and machinery	**11**	5
- other	**177**	124
Fees payable to the Company's auditor for:		
- the audit of the Company's annual financial statements	**38**	38
- other services provided	**-**	-
Loss/(profit) on disposal of property, plant and equipment	**9**	(85)
Rent receivables (net of outgoings)	**(9)**	(12)

b) Exceptional items

	27 March 2021	28 March 2020
	£'000	£'000
Curtailment Gain (a)	**-**	3,601

(a) A one off gain of £3,601,000 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

	27 March 2021	28 March 2020
	£'000	£'000
Short term employee benefits (emoluments)	**693**	690
Post-employment benefits (pensions)	**51**	2
	744	692

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 employer's national insurance costs of £90,000 (2020: £89,000) and cash contributions to final salary related pension schemes of £Nil (2020: £53,000) resulting in a total cost to the Company for key management personal of £834,000 (2020: £835,000).

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	**27 March 2021**	28 March 2020
	£'000	£'000
Aggregate emoluments	**246**	220

Contributions to the highest paid director's pension were £Nil (2020: £Nil).

The number of directors (including non-executives) accruing benefits from the Company under pension schemes at 27 March 2021 was:

	2021	2020
	Number	Number
Defined Contribution scheme	**4**	4

Notes to the Financial Statements

7 Staff costs

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

	27 March 2021	28 March 2020
	£'000	£'000
Wages and salaries	**27,151**	27,714
Social security costs	**2,452**	2,539
Other pension costs	**2,039**	2,549
	31,642	32,802

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

	2021	2020
	Number	Number
Drivers	**833**	858
Engineering and administration	**257**	271
	1,090	1,129

Notes to the Financial Statements

8 Income tax expense

Analysis of income tax expense in the period	**27 March 2021**	28 March 2020
	£'000	£'000
Current tax		
- current period	**-**	-
- prior period	**-**	(282)
Total current tax expense/(credit)	**-**	(282)
Deferred tax		
- current period	**432**	1,243
- adjustment in respect of prior periods	**(4)**	(40)
Total deferred tax expense	**428**	1,203
Total tax expense	**428**	921

Deferred tax credits of £2,661,000 (2020: £35,000 charge) 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 higher (2020: lower) than the standard rate of corporation tax in the UK (19% – 2020: 19%). The differences are explained below:

	27 March 2021	28 March 2020
	£'000	£'000
Profit before taxation	**1,983**	5,294
Profit at standard rate of corporation tax in the UK: 19% (2020: 19%)	**377**	1,006
Adjustments to tax in respect of prior periods	**(3)**	(322)
Expenses not deductible for tax purposes	**54**	68
Change in tax rates applied	**-**	169
Total tax expense	**428**	921

The rate of corporation tax for the period ended 27 March 2021 is at 19%. However, in the 2021 budget resulting in Finance Act 2021, which was substantively enacted on 24 May 2021 and received Royal Assent on 10 June 2021, the main rate of corporation tax was maintained at 19% for Financial Year 2022 but increased to 25% for Financial Year 2023. The small company rate of tax remains at 19%.

Accordingly, deferred tax has been shown at the 19% rate. However, as the impact of applying the changes in long term tax rates that have been announced but were not substantively enacted at 27 March 2021 could be significant, consideration should be given to disclosing the potential financial effect. An assessment of the potential additional deferred tax liability has been included in the deferred tax rate calculation and although the 6% difference in tax rate applied to the overall deferred tax balance would be only around £157,000 assumptions regarding the likely timing of reversal of deferred tax balances on the most pessimistic basis could be as high as £958,000..

9 Dividends

	27 March 2021	28 March 2020
	£'000	£'000
Dividends of shares classified as debt: (see note 4)		
Preference share dividend accrued (10.0 pence per share, plus interest)	**231**	288
Total dividends paid and accrued	**231**	288

During the period, the Company did not pay a dividend on the ordinary A or ordinary B shares (2020:£Nil).

Notes to the Financial Statements

10 Property, plant and equipment

a) Total

	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 29 March 2019	2,068	690	1,676	59,758	13,227	77,419
Additions	-	-	1,660	21,388	293	23,341
Transfer	-	-	(2,393)	783	1,610	-
Disposals	-	-	-	(11,371)	(67)	(11,438)
At 28 March 2020	2,068	690	943	70,558	15,063	89,322
Additions	209	-	843	-	197	1,249
Transfer	-	-	(1,719)	-	1,719	-
Disposals	-	-	(30)	(221)	(56)	(307)
At 27 March 2021	**2,277**	**690**	**37**	**70,337**	**16,923**	**90,264**
Depreciation						
At 29 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
Charge for the period	30	-	-	5,061	1,338	6,429
Disposals	-	-	-	(212)	(56)	(268)
At 27 March 2021	**933**	**690**	**-**	**26,044**	**11,268**	**38,935**
Net book amount						
At 27 March 2021	**1,344**	**-**	**37**	**44,293**	**5,655**	**51,329**
At 28 March 2020	1,165	-	943	49,363	5,077	56,548
At 29 March 2019	1,196	13	1,676	33,676	4,331	40,892

Notes to the Financial Statements

10 Property, plant and equipment

b) Right of use assets

Included in the above are the following amounts relating to right-of-use assets

	Public service vehicles	Total
Cost	**£'000**	**£'000**
At 29 March 2019	44,631	44,631
Additions	21,155	21,155
Transfer	783	783
Disposals	(8,991)	(8,991)
At 28 March 2020	57,558	57,558
Additions	-	-
Transfer	-	-
Disposals	(1,502)	(1,502)
At 27 March 2021	**56,076**	**56,076**
Depreciation		
At 29 March 2019	14,057	14,057
Charge for the period	3,938	3,938
Disposals	(5,676)	(5,676)
At 28 March 2020	12,139	12,139
Charge for the period	4,023	4,023
Disposals	(1,037)	(1,037)
At 27 March 2021	**15,305**	**15,305**
Net book amount		
At 27 March 2021	**40,771**	**40,771**
At 28 March 2020	45,259	45,259
At 29 March 2019	30,574	30,574

Notes to the Financial Statements

10 Property, plant and equipment (continued)

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

	2021	2020
	£'000	£'000
Net book amount	**40,771**	45,259

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.

The lease liabilities were

	2021	2020
	£'000	£'000
Current	**6,255**	6,295
Non-current	**23,336**	26,397
	29,591	32,692

Amounts recognised in the Statement of Profit or Loss and Comprehensive Income

	2021	2020
	£'000	£'000
Depreciation charge for right of use assets		
Public service vehicles	**4,023**	3,938

Amounts recognised in the Statement of Cash Flows

	2021	2020
	£'000	£'000
Payment of		
Lease principal	**3,101**	6,394
Interest payable on leases	**377**	627
Payments for low value leases	**188**	129
Total lease payments	**3,666**	7,150

Notes to the Financial Statements

11 Inventories

	2021	2020
	£'000	£'000
Engineering spares and consumables	184	214
Fuel and Oil	236	238
	420	452

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 (2020: £30,000). The amount credited in the period for provisions is £Nil (2020: £Nil).

12 Trade and other receivables

	2021	2020
	£'000	£'000
Current		
Trade receivables	26	271
Other receivables	8,284	287
Prepayments and accrued income	1,311	1,667
Amounts due from parent undertaking	34	272
Amounts due from subsidiary undertakings	7	7
	9,662	2,504

The amount credited in respect of writedowns for trade receivables in the period was £Nil (2020: £Nil).

13 Cash and cash equivalents

a) Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash at bank and in hand	2,248	11
Fixed term deposits	-	8,719
	2,248	8,730

Notes to the Financial Statements

13 Cash and cash equivalents (continued)

b) Restricted cash

	2021	2020
	£'000	£'000
Escrow account cash	**475**	-

The cash in the escrow account related to the annual deficit recovery payment due in July 2020, for the NCT Pension Fund.

Due to the Company's uncertain situation due to the Covid-19 pandemic at that time and its possible effect on cash flows, the contribution was put into an escrow account, part of which has been paid over to the NCT Pension Fund during the period, with £475,000 remaining at the period end.

The Company can request a return of the cash in the escrow account under a set of specific conditions governed by the agreement between the Company and the NCT Pension Fund under which the account was set up.

The cash held in the escrow account has not been taken into account as an asset when valuing the NCT Pension Fund at the period end, as per note 18.

If the cash in the escrow account had been taken into account when valuing the NCT Pension Fund in note 18, the net position at the period end would not have changed, as the £475,000 additional asset would have led to an increased net asset in the NCT Pension Fund, which would continue not to be recognised in the financial statements, as per note 18.

The balances would have been:-

- Net surplus before consideration of restricted cash - £789,000
- Restricted cash – £475,000
- Net surplus after consideration of restricted cash - £1,264,000

The balance on the escrow account was paid over to the NCT Pension Fund on 2 August 2021.

Notes to the Financial Statements

14 Financial liabilities

a) Finance leases

The minimum payments under finance lease obligations fall due as follows	2021	2020
	£'000	£'000
Payments due within one year	**6,864**	6,874
Payments due between one and five years	**19,354**	20,524
Payments due after more than five years	**5,239**	7,199
Total payments	**31,457**	34,597
Less future finance charges	**(1,866)**	(1,905)
Financial liabilities in respect of finance leases	**29,591**	32,692

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

	2021	2020
	£'000	£'000
Within 1 year	**6,255**	6,295
Later than 1 year and no later than 5 years	**18,187**	19,331
Later than 5 years	**5,149**	7,066
Financial liabilities in respect of finance leases	**29,591**	32,692

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 28 March 2020 and 27 March 2021	**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

	2021	2020
	£'000	£'000
Trade payables	**917**	797
Other tax and social security	**619**	562
Owed to Group undertakings	**68**	-
Preference dividends payable	**374**	143
Contract liabilities	**1,912**	3,868
Government grant	**659**	983
Accruals	**1,802**	1,834
	6,351	8,187

Contract liabilities represents amounts advanced by customers in respect of which the Company has not yet met the performance obligations to allow the recognition of the balance as revenue. These relate to season tickets held by passengers which cross over the period end date where cash has been received by the Company in respect of services that had yet to be performed. The contract liabilities as at 27 March 2021 are expected to be recognised as revenue in the period to 26 March 2022. The contract liabilities at the previous Statement of Financial Position date were recognised within revenue in the subsequent period, or refunded to customers.

Changes in the contract liabilities relating to customer contracts at each year end reflect changes in the volume of season tickets purchased in advance of the respective period-end dates. The reduction in the liabilities from 28 March 2020 to 27 March 2021 reflects the impact of COVID-19 on ticket purchasing.

The purchase of season tickets decreased during the pandemic and the Company is now starting to see an increase in the level of ticket purchases but not to a level seen previously. This has led to a decrease in the contract liabilities balance at 27 March 2021.

Notes to the Financial Statements

15 Trade and other payables (continued)

The following amounts are due after more than 1 year:

	2021	2020
	£'000	£'000
Government grants	**4,167**	4,483

The Government grants referred to above relate 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, a contribution towards the extra costs of 53 bio-gas powered buses over their diesel powered equivalent, and a grant towards ticketing equipment. The grants are being released to profit over the same period as the capital item they relate to is depreciated.

16 Provisions

	Insurance claims
	£'000
At 29 March 2019	**1,417**
Additional provisions	1,431
Provisions released	(567)
Amounts used/paid out	(934)
At 28 March 2020	**1,347**
Additional provisions	1,036
Provisions released	(660)
Amounts used/paid out	(559)
At 27 March 2021	**1,164**

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;
- 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 29 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**
Deferred tax charge on profit for the period relating to continuing operations	226
Deferred tax in current period relating to pensions	(2,426)
Deferred tax due to losses in the current period	(29)
Deferred tax due to prior periods	(4)
As at 27 March 2021	**484**

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 29 March 2019	**-**	**1,050**	**1,050**
Credited to Statement of Comprehensive Income/ Statement of Changes in Equity	368	(827)	(459)
Prior period adjustment	-	(111)	(111)
At 28 March 2020	**368**	**112**	**480**
Credited to Statement of Comprehensive Income/ Statement of Changes in Equity	29	2,426	2,455
Prior period restatements	4	-	4
At 27 March 2021	**401**	**2,538**	**2,939**

Deferred tax liabilities	Tax allowances on assets	Total
	£'000	£'000
At 29 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**
Charged to Statement of Comprehensive Income/ Statement of Changes in Equity	226	226
At 27 March 2021	**3,423**	**3,423**

Notes to the Financial Statements

17 Deferred tax (continued)

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.

	2021	2020
	£'000	£'000
Assets	**2,939**	480
Liabilities	**(3,423)**	(3,197)
Net liability	**(484)**	(2,717)

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.

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

In respect of the NCTS the contributions paid to this scheme were £407,000 (2020: - £1,058,000).

There is £475,000 of balances outstanding at the period end, held in escrow pending release to the NCTPF, disclosed as Restricted Cash balances on the face of the Statement of Financial Position (2020: £NIL).

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

As at 27 March 2021	**NCTPF**	**LGPS**	**TOTAL**
	£'000	**£'000**	**£'000**
Credit funds	**23,371**	**-**	**23,371**
Liquidity fund	**31,668**	**-**	**31,668**
Bonds/Gilts	**-**	**53,633**	**53,633**
Liability Driven Investment funds	**21,389**	**-**	**21,389**
Cash	**350**	**-**	**350**
Fair value of assets	**76,778**	**53,633**	**130,411**
Present value of obligations	**(75,989)**	**(66,987)**	**(142,976)**
Net surplus not recognised	**(789)**	**-**	**(789)**
(Deficit) recognised in the Statement of Financial Position at **27 March 2021**	**-**	**(13,354)**	**(13,354)**

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	-	-	-

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

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.

In 2020, the Company did not account for a surplus to be recognised under either 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:

	2021	2020
	%	%
Credit funds	**17.9**	36.4
Liquidity fund	**24.3**	N/A
Bonds/Gilts	**41.1**	45.6
LDI funds	**16.4**	17.0
Cash	**0.3**	1.0
	100.0	100.0

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

52 week period ended 27 March 2021	**NCTS**	**NCTPF**	**LGPS**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**
Current service costs	**-**	**-**	**326**	**326**
Past service costs (see below)	**-**	**45**	**-**	**45**
Total defined benefit costs	**-**	**45**	**326**	**371**
Defined contribution costs	**1,668**	**-**	**-**	**1,668**
Total included in staff costs (note 7)	**1,668**	**45**	**326**	**2,039**
Interest income on assets	**-**	**1,666**	**1,394**	**3,060**
Interest cost on liabilities	**-**	**(1,535)**	**(1,380)**	**(2,915)**
Total included as a Finance cost (notes 3/4)	**-**	**131**	**14**	**145**
Scheme admin costs	**-**	**251**	**26**	**277**

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

Amount recognised in the Statement of Comprehensive Income:

52 week period ended 27 March 2021

	£'000
Net actuarial, and provision against asset movement	**(14,001)**
Less: attributable taxation (Note 17)	**2,661**
Total included in other Comprehensive Income	**(11,340)**

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, and provision against asset 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)

There are no balances outstanding at the period end in respect of the Company's defined contribution pension scheme (2020: £NIL).

The past service costs figure for the period ended 28 March 2020 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.

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

	NCTPF	**LGPS**	**2021**	NCTPF	LGPS	2020
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
At beginning of period	**66,788**	**60,391**	**127,179**	76,721	64,411	141,132
Current service cost	**-**	**326**	**326**	592	417	1,009
Past service costs	**45**	**-**	**45**	-	86	86
Interest cost on liabilities	**1,535**	**1,380**	**2,915**	1,657	1,410	3,067
Exceptional curtailment gain	**-**	**-**	**-**	(3,601)	-	(3,601)
Members' contributions paid	**-**	**56**	**56**	152	64	216
Actuarial gains and losses	**10,659**	**7,899**	**(18,558)**	(4,622)	(3,143)	(7,765)
Benefits paid	**(3,038)**	**(3,065)**	**(6,103)**	(4,111)	(2,854)	(6,965)
At end of period	**75,989**	**66,987**	**142,976**	66,788	60,391	127,179

Past service costs in the LGPS in the prior period include an £86,000 charge for the effects of what is known as the "McCloud/Sergeant judgement".

The exceptional curtailment gain in the prior period 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.

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

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

	NCTPF	LGPS	2021	NCTPF	LGPS	2020
	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of period	72,356	60,608	132,964	74,149	62,629	136,778
Interest income on assets	1,666	1,394	3,060	1,694	1,374	3,068
Return on assets (excluding interest income)	5,637	(6,076)	(439)	(860)	(899)	(1,759)
Actuarial gains and losses	-	-	-	-	(34)	(34)
Employer contributions – regular	408	742	1,150	303	353	656
Employer contributions – lump sum/other	-	-	-	1,318	-	1,318
Members' contributions paid	-	56	56	152	64	216
Benefits paid	(3,038)	(3,065)	(6,103)	(4,111)	(2,854)	(6,965)
Scheme admin costs	(251)	(26)	(277)	(289)	(25)	(314)
At end of period	76,778	53,633	130,411	72,356	60,608	132,964

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

	2021	2021	2020	2020
	NCTPF	LGPS	NCTPF	LGPS
Rate of increase in salaries	N/a	3.25	N/a	2.45
Rate of increase in pensions in payment	-	2.85	1.70 – 2.65	2.05
Discount rate	1.85	1.75	2.35	2.35
Inflation (RPI)	2.65	2.95	2.65	2.95

The weighted average duration of the defined benefit obligation at 27 March 2021 is 15 years for the NCTPF (2020: 16 years) and 8 years for the LGPS (2020: 9 years).

The life expectancy assumptions for each scheme are periodically reviewed. The weighted average life expectancies assumed at 27 March 2021 were:

	NCTPF	LGPS
	Years	Years
Current pensioner aged 65 – male	19.7	20.4
Current pensioner aged 65 – female	22.9	23.2
Future pensioner aged 65 (aged 45 now) – male	21.3	22.0
Future pensioner aged 65 (aged 45 now) – female	24.7	25.0

Notes to the Financial Statements

18 Retirement benefit obligations (continued)

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 £2,621,000 (2020: £1,309,000).

The cumulative actuarial losses recognised in Other Comprehensive Income are £32,431,000 (2020: £12,645,000).

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%**	**1,474**	**1,433**
Future salary increase	**+/- 0.1%**	**N/a**	**N/a**
Mortality rates	**+/- 1 year**	**2,894**	**2,882**
Inflation	**+/- 0.1%**	**140**	**544**
LGPS			
Discount rate	**+/- 0.1%**	**839**	**827**
Future salary increase	**+/- 0.1%**	**69**	**69**
Mortality rates	**+/- 1 year**	**4,603**	**4,301**
Inflation	**+/- 0.1%**	**759**	**751**

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

Notes to the Financial Statements

19 Called up share capital

		2021	2020
	Note	£'000	£'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:

	2021	2020
	£'000	£'000
Profit before taxation attributable to equity holders	**1,983**	5,294
Adjustments for:		
IAS 19 Curtailment gain on closure of pension scheme to future accrual	**-**	(3,601)
Interest receivable	**(161)**	(65)
Interest expense	**631**	952
Depreciation	**6,458**	5,944
Loss/(profit) on disposal of property, plant and equipment	**1**	(85)
Release of grants	**(641)**	(515)
Current and past service cost of defined benefit plan	**371**	1,095
Pension scheme administration costs	**277**	314
Changes in working capital:		
Decrease/(increase) in inventories	**32**	(3)
(Increase)/decrease in trade and other receivables	**(7,158)**	173
(Decrease) in trade and other payables	**(2,101)**	(125)
(Decrease) in other provisions	**(183)**	(70)
Employer contributions to defined benefit plan	**(1,150)**	(1,974)
Cash generated from operations	**(1,641)**	7,334

20 Statement of cash flows (continued)

b) Cash flows from investing activities

	2021	2020
	£'000	£'000
Purchase of property, plant and equipment	**(1,249)**	(2,047)
Proceeds of disposal of property, plant and equipment	**9**	1,826
Proceeds from maturity of short term investments	**-**	2,027
Interest received	**16**	28
Net cash flows from investing activities	**(1,224)**	1,834

c) Reconciliation of liabilities arising from financing activities

	2019	Repaid	New leases	2020	Repaid	New leases	2021
	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Short term lease liabilities	**4,501**	(715)	2,509	**6,295**	(40)	-	**6,255**
Long term lease liabilities	**13,649**	(5,679)	18,427	**26,397**	(3,061)	-	**23,336**
Total liabilities from financing activities	**18,150**	(6,394)	20,936	**32,692**	(3,101)	-	**29,591**

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 £Nil (2020: £20,396,000).

22 Capital commitments

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

	2021	2020
	£'000	£'000
Company commitments	**6,900**	-

The capital commitments in 2021 represents committed spend on 23 new bio-gas powered buses.

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 £5,743,000 for the English National Concessionary Travel Scheme (2020: £6,200,000).

The Company paid net business rates to Nottingham City Council for certain of its operating premises in the period of £271,000 (2020: £266,000), paid £59,000 (2020: 65,000) in respect of the Workplace parking levy, and rents certain of its operating premises from Nottingham City Council, paying an annual rent of £46,000 (2020: £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 £356,000 (2020: £234,000).

At the period end, the Company had the following balances with Nottingham City Council, under normal trading arrangements: Trade receivables £35,000 (2020: £272,000) and £68,000 (2020: £Nil) under Trade payables.

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 £1,869,000 (2020: £4,883,000) 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 £169,000 (2020: £546,000).

During the period, no dividend was paid to Transdev plc, who own the "B" Ordinary shares (2020: £Nil) and no preference dividend was paid (2020: £288,000) to Transdev plc in the period, however, £231,000 was accrued.

24 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 27 March 2021, the Company had the following total commitments under operating leases:

	2021	2020
	Land and buildings	Land and buildings
	£'000	£'000
Commitments under non-cancellable operating leases:		
Due within one year	**80**	104
Between one and five years	**63**	82
After more than five years	**-**	-
Total	**143**	186

The leases are for the Company's premises at Angel Row, Nottingham (staff canteen, lease payments £15,000 per year until February 2025), land integral to Parliament Street garage (£38,000 per year until October 2022) and Smithy Row, Nottingham (Travel Centre, lease payments £89,000 a year until July 2021).

25 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 (2020: 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; and
- 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.

2021

			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%**	**2,723**	**(8)**	**8**
Total (decrease)/increase			**(8)**	**8**

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 (decrease)/increase			(23)	23

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 3.2m litres of diesel and 36.1 MWh (2.5m 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; and
- 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 78.1 and 97.9 pence per litre during the period, with an average price of around 87.9 pence per litre. Every penny movement, either way, in the spot price paid by the Company (if all diesel fuel was bought on spot prices) would have an annual effect of approximately £32,000 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 a base rate of 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 £2,745,000 (2020: £2,562,000) and was credited to the Statement of Comprehensive Income. Thus, the spot price of a litre of diesel on a "net" basis varied from around 43.5 pence per litre to 63.3 pence per litre.

The Company was party to one fixed price diesel supply contract pertinent to the period to 27 March 2021, for an annual 3.024m litres of diesel in total at a price of 96.21p per litre for the period 1 April 2020 to 31 March 2022.

Liquidity Risk

The Transport Act 1985 essentially prevents the Company from obtaining long term 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;
- putting overdraft facilities in place if considered prudent:
- 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 27 March 2021 was £29.751m (2020: £26.846m).The average creditor payment period is 31 days (2020: 37 days).

Notes to the Financial Statements

26 Financial risks (continued)

Contractual maturity analysis for financial liabilities

2021 £'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	**917**	**-**	**-**	**-**	**-**	**917**
Redeemable preference shares	**2,883**	**-**	**-**	**-**	**-**	**2,883**
Finance leases agreements	**548**	**1,096**	**4,611**	**18,187**	**5,149**	**29,591**
Accruals	**3,714**	**-**	**-**	**-**	**-**	**3,714**
Preference dividends	**-**	**374**	**-**	**-**	**-**	**374**
	8,062	**1,470**	**4,611**	**18,187**	**5,149**	**37,479**

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

Notes to the Financial Statements

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	**2021**	2020
Financial assets	**£'000**	£'000
Trade receivables	**26**	271
Other current assets	**9,595**	1,954
Cash and cash equivalents	**2,723**	8,730
	12,344	10,955

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 approximately 28 days (2020: 35 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.

Notes to the Financial Statements

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		
2021 Trade receivables	**26**	**-**	**-**	**-**	**-**	**-**	**-**	**26**
2020 Trade receivables	102	169	-	-	-	-	-	271

Financial assets relating to other current assets and cash and cash equivalents for the Company are not impaired or past due (2020: not impaired or past due).

Allowances for credit losses

	2021	2020
	£'000	£'000
Allowances	**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; and
- 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 ordinarily be less than twice the level of total equity.

	2021	2020
	£'000	£'000
Total debt		
Finance leases	**29,591**	32,693
Preference shares	**2,883**	2,883
Net debt	**32,474**	35,576
Cash and cash equivalents	**(2,723)**	(8,730)
Net debt less cash and cash equivalents	**29,751**	26,846
Total equity	**6,190**	15,975
Ratio of net debt less cash and cash equivalents to total equity	**4.81**	1.68

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.