

Company Registration Number: 3550482

CITY LINK (CARDIFF) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST DECEMBER 2022

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CITY LINK (CARDIFF) LIMITED  
COMPANY INFORMATION

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DIRECTORS

I D Hudson  
R J Murphy

REGISTERED OFFICE

Astral House  
Imperial Way  
Watford  
Hertfordshire  
WD24 4WW

REGISTERED NUMBER

3550482

AUDITOR

RSM UK Audit LLP  
Third Floor, Priory Place  
New London Road  
Chelmsford  
Essex  
CM2 0PP

BANKER

Barclays Bank PLC  
One Churchill Place  
London  
E14 5HP

## CITY LINK (CARDIFF) LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

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The Directors submit their report to the members, together with the audited financial statements for the year to 31st December 2022.

#### **Principal activity, review of the business and future developments**

The Company is a wholly owned subsidiary of City Link (Cardiff) Holdings Limited.

The Company's project was to design, build, finance and maintain road infrastructure linking the Cardiff Bay waterfront to the city centre and to procure commercial and residential developments on sites surrounding the road infrastructure. The project has been delivered under the Private Finance Initiative. The operational phase of the project commenced on 19th December 2000 for a period of 25 years.

The Company's service provider is contracted to a maintenance agreement that varies yearly in accordance with anticipated maintenance requirements. Consequently, the cost of sales and related turnover recognition increased accordingly over amounts reported in the prior year although the percentage service margin applied to operating costs reduced in the year owing to a change in macro-economic assumptions in the financial model.

#### **Business and financial risks**

The company faces the risk of the deduction of the unitary payment from Welsh Development Agency (i.e. the concession revenue) based on the lack of availability of the contracted services and/or poor performance of these services. The company is able to mitigate these risks because these deductions are generally passed down to the relevant subcontractors; consequently, these risks ultimately lie with the service providers. Therefore, business risks are limited due to the contract between the Company and the support services providers.

The Company is exposed to the potential risk of subcontractor insolvency although, this is mitigated through regular review of subcontractor financial and operational performance.

There has been no significant deviation from project delivery plans and all contractual cash flows continue to be discharged in line with the project's detailed underlying financial model. Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

The significant use of non-recourse debt for financing assists the Company in matching the cash flows and the financial risk management of this PFI project. Furthermore, the bulk of the debt is fixed rate achieved through interest rate swaps.

The company has also taken out an RPI swap to mitigate against inflation risk on a proportion of the unitary charge receivable.

#### **Results and dividends**

The company made a profit of £2,786,000 (2021: £2,275,000). The company paid dividends of £2,000,000 during the year (2021: £1,115,000).

#### **Directors**

The present Directors of the Company who served during the year and through to the date of this report are set out on Page 1.

## CITY LINK (CARDIFF) LIMITED

### DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

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#### **Strategic report exemption**

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small company exemption. Accordingly, no Strategic Report has been prepared.

#### **Indemnity provisions**

During the year, a qualifying third-party indemnity provision was in place for the benefit of the Directors provided by VINCI Plc. These provisions remain in force at the reporting date.

#### **Going concern**

The financial statements have been prepared on the going concern basis of accounting which the directors believe to be appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue to trade as a going concern.

The Directors have prepared cash flow forecasts which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due. Further information of the Directors' assessment is contained within note 1.2.

The Company was able to meet the financial covenants as at 30 June 2022 and 31 December 2022 and is forecast to meet them for the foreseeable future and for a period of at least 12 months from the date of approval of these financial statements.

Taking into account reasonable possible risks in operations to the Company, the fact the obligations of the Company's sole customer are underwritten by the Welsh Government, the Directors have a reasonable expectation that the Company will be able to settle its liabilities as they fall due to the foreseeable future and for a period of at least 12 months from the date of approval of these financial statements. It is therefore appropriate to prepare these financial statements on the going concern basis.

#### **Disclosure of information to the auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Auditor**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and RSM UK Audit LLP will therefore continue in office.

#### **Approval**

The Report of the Directors was approved by the Board on 6 June 2023 and signed on its behalf by:



I D Hudson  
Director

## CITY LINK (CARDIFF) LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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The directors are responsible for preparing the 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 they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CITY LINK (CARDIFF) LIMITED

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#### **Opinion**

We have audited the financial statements of City Link (Cardiff) Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

#### **Basis for opinion**

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

#### **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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF CITY LINK (CARDIFF) LIMITED (continued)

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#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

#### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF CITY LINK (CARDIFF) LIMITED (continued)

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- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors

We have not identified any indirect laws and regulations that are significant to the company's operations

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied across the financial statements.

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

#### **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.

*RSM UK AUDIT LLP*

#### **Nicholas Cattini (Senior Statutory Auditor)**

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

RSM UK Audit LLP

Third Floor, Priory Place

New London Road

Chelmsford

Essex

CM1 1LN

09/06/23<sup>2023</sup>



CITY LINK (CARDIFF) LIMITED

PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2022

	Notes	2022 £000	2021 £000
Turnover		4,971	3,485
Cost of sales		(1,006)	(942)
Gross profit		3,965	2,544
Administrative expenses		(956)	(792)
Operating profit		3,009	1,751
Interest receivable	4	2,205	2,518
Interest payable and similar charges	4	(1,915)	(2,465)
Profit before taxation	2	3,299	1,804
Tax (charge)/credit	5	(513)	471
Profit for the financial year		2,786	2,275
<b>Other Comprehensive Income</b>		<b>2022 £000</b>	<b>2021 £000</b>
Items that will, or may be, re-classified to profit or loss			
Gain arising on cashflow hedges		232	360
Tax recognised in relation to change in fair value cashflow hedges		(58)	(53)
<b>Other comprehensive income for the year</b>		<b>174</b>	<b>307</b>
<b>Total comprehensive income for the year</b>		<b>2,960</b>	<b>2,582</b>

All results arise from continuing operations.

The notes on pages 11 to 22 form an integral part of these financial statements.

## CITY LINK (CARDIFF) LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1st January 2021	100	(170)	3,420	3,350
<b>Total comprehensive income for the period</b>				
Profit	-	-	2,275	2,275
Other comprehensive income	-	307	-	307
<b>Total comprehensive income for the period</b>	-	307	2,275	2,582
Dividends	-	-	(1,115)	(1,115)
<b>Balance at 31st December 2021</b>	100	137	4,580	4,817
	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1st January 2022	100	137	4,580	4,817
<b>Total comprehensive income for the period</b>				
Profit	-	-	2,786	2,786
Other comprehensive income	-	174	-	174
<b>Total comprehensive income for the period</b>	-	174	2,786	2,960
Dividends	-	-	(2,000)	(2,000)
<b>Balance at 31st December 2022</b>	100	311	5,366	5,777

The cashflow hedge comprises the effective portion of the cumulative net change in the fair value of cashflow hedging instruments related to hedged transactions that have not yet occurred.

The notes on pages 11 to 22 form an integral part of these financial statements.

CITY LINK (CARDIFF) LIMITED

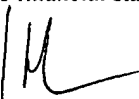
BALANCE SHEET  
AT 31ST DECEMBER 2022

	Notes	2022 £000	2021 £000
<b>Current assets</b>			
Debtors: due within one year	6	4,804	4,593
Debtors: due after one year	7	15,474	19,610
Cash at bank and in hand		2,583	2,401
		<hr/>	<hr/>
		22,861	26,604
<b>Creditors: amounts falling due within one year</b>	8	(7,404)	(6,843)
		<hr/>	<hr/>
<b>Net current assets</b>		15,457	19,761
		<hr/>	<hr/>
<b>Creditors: amounts falling due after one year</b>	9	(9,655)	(14,887)
Provisions for liabilities and charges	10	(25)	(57)
		<hr/>	<hr/>
<b>Net Assets</b>		5,777	4,817
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	11	100	100
Cashflow hedge reserve	12	311	137
Profit and loss account	12	5,366	4,580
		<hr/>	<hr/>
<b>Shareholders' funds</b>		5,777	4,817
		<hr/>	<hr/>

The notes on pages 11 to 22 form an integral part of these financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies eligible for the small companies' regime.

The financial statements were approved by the Board on 6 June 2023 and signed on its behalf by:

  
I D Hudson  
Director

Company Registered Number 3550482

## **1 Accounting Policies**

City Link (Cardiff) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. A description of the nature of the company's activities can be found in the Directors' Report.

### **Basis of Preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The presentation currency of these financial statements is sterling and amounts are rounded to the nearest £'000 unless stated otherwise.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemption has been taken in these financial statements:

- Service concession arrangements - The Company entered into its Service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### **1.1 Measurement Convention**

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

### **1.2 Going Concern**

The directors have adopted the going concern basis in the preparation of the financial statements and consider such basis to be appropriate. In reaching this conclusion they have considered the expected cash inflows and outflows for the Company over the remaining life of the project.

The Directors have prepared cash flow forecasts covering a period of 12 months from the date of approval of these financial statements, through to 30 September 2024, which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Secretary of State for Transport. Since the inception of the project all contractual cash flows, as forecast in the underlying project financial model, have been maintained and this is expected to continue for at least 12 months from the date of approval of these financial statements. Accordingly, the directors are satisfied the going concern basis of preparation remains appropriate.

The Company's operating cash inflows are largely dependent on unitary charge receipts receivable from the Welsh Government and the Directors expect these amounts to be received even in severe but plausible downside scenarios.

The Company continues to provide the asset in accordance with the contract and is available to be used. As a result, the Company does not believe there is any likelihood of a material impact to the unitary payment.

The Directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the Company, even in downside scenarios, due to the underlying contractual terms. In the unlikely event of a subcontractor failure, the Company has its own business continuity plans to ensure that service provision will continue.

**1 Accounting Policies (continued)**

**1.2 Going Concern (continued)**

The Directors believe the Company has sufficient funding in place and expect the Company to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**1.3 Classification of financial instruments issued by the group**

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

**1.4 Basic financial instruments**

*Trade and other debtors/creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value for future payments discounted at a market rate of instrument for a similar debt instrument.

*Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowing are stated at amortised cost using the effective interest method, less any impairment losses.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

*Restricted Cash*

The Company is obligated to keep a separate cash reserve in respect of future taxation costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £26,000 at the year-end (2021: £26,000).

**1 Accounting Policies (continued)**

**1.5 Other financial instruments**

*Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

*Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

*Cash flow hedges*

The Company has entered into interest rate and RPI swaps and designated these as a hedge for highly probable forecast transactions. The effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

**1.6 Impairment excluding deferred tax assets**

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**1 Accounting Policies (continued)**

**1.7 Finance debtor and service income policy**

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS 102 section 34C, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

**1.8 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

**1.9 Judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Accounting for the service contracts and finance receivables requires estimation of service margins, finance receivable interest rates and finance receivable amortisation profile which is based on forecasted results of the PFI contract.

The directors have considered the interest rates applied to the company's unsecured debt instruments and consider these to be at a market rate of interest.

CITY LINK (CARDIFF) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 2022

**1 Accounting Policies (continued)**

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

The Company uses derivative finance instruments to hedge certain economic exposures in relation to movements in RPI and interest rates as compared with the position that was expected at the date the underlying transaction being hedged was entered into. The Company fair values its derivative financial instruments and records the fair value of those on its balance sheet. The measurement of fair value is based on estimates of future market interest and inflation rates and will therefore be subject to change. The company has used the Mark to Market valuation provided by the hedging party to assist with valuing such instruments.

The directors have applied their judgement in assessing the interest rate swaps to be fully effective and have therefore designated the instruments as a cash flow hedge. RPI swap movements in the year are charged in full to the profit and loss account.

**2. Profit before taxation**

	2022 £000	2021 £000
This is stated after charging:		
Auditor's remuneration-audit of these financial statements	13	12

**3. Employees**

The Company had no employees during the year (2021: nil). None (2021: none) of the directors, who are considered to be Key Management Personnel received remuneration relating to their services as directors of City Link (Cardiff) Limited. No amounts were paid to third parties for directors' services in either the current or preceding year.

**4. Net interest receivable**

	2022 £000	2022 £000	2021 £000	2021 £000
Interest receivable				
Bank interest	31		-	
Interest on loan to parent	246		211	
Finance debtor interest	1,928		2,307	
		2,205		2,518
Interest payable				
Bank interest	(1,791)		(2,354)	
Other interest	(124)		(111)	
		(1,915)		(2,465)
		290		53

The interest receivable on loan to parent arises on a loan made by the Company to its parent in connection with the provision of financial assistance. Further details are included in note 7. The other interest is payable on subordinated loans which are held by the parent company of City Link (Cardiff) Holdings Limited.



## CITY LINK (CARDIFF) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 2022**5. Taxation on profit on ordinary activities**

The tax charge for the year comprised

	2022 £000	2021 £000
The taxation for the year comprised:		
UK Corporation tax		
Current taxation on income for the period	(603)	(312)
Group relief adjustment relating to prior periods	-	642
Deferred taxation		
Origination and reversal of timing differences	85	49
Change in tax rate	-	53
Revaluation of fair value derivatives	5	39

Tax (charge)/credit on profit

(513)	471
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**Current tax reconciliation**

	2022 £000	2021 £000
Profit on ordinary activities before taxation	3,299	1,804
Theoretical tax at UK corporation rate 19% (2021: 19%)	(627)	(343)
Effects of:		
Change in Tax Rates	-	174
Accelerated capital allowances	25	(85)
Group relief claimed	46	40
FRS102 adjustment	43	43
Group relief adjustment relating to prior periods	-	642
Actual current taxation (charge)/credit	(513)	471

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24th May 2021. The deferred tax asset at 31 December 2022 has been calculated based on this rate.

## CITY LINK (CARDIFF) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 2022

## 6. Debtors: due within one year

	2022 £000	2021 £000
Finance debtor (see note 7)	4,773	4,248
Prepayments	31	345
	<u>4,804</u>	<u>4,593</u>

## 7. Debtors: due after one year

	2022 £000	2021 £000
Finance debtor	11,271	15,658
Amounts owed by parent undertaking	4,030	3,784
Prepayments	173	168
	<u>15,474</u>	<u>19,610</u>

## Analysis of finance debtor

	2022 £000	2021 £000
Amounts due:		
Within one year	4,773	4,248
Between two and five years	11,271	15,658
	<u>16,044</u>	<u>19,906</u>

## Amounts owed by parent undertaking

During 2003 the Company provided financial assistance to its parent, City Link (Cardiff) Holdings Limited, in the form of a loan of £10,500,000. The loan was used by City Link (Cardiff) Holdings Limited to repay preference shares held by its former joint venture owners. At the year end, the balance of the loan provided for the financial assistance amounted to £4,030,000 (2021: £3,784,000) including accrued interest which is charged at 6.5% p.a. The loan is repayable annually with the final instalment due in 2025.

CITY LINK (CARDIFF) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 2022

8. **Creditors:** amounts falling due within one year

	2022 £000	2021 £000
Bank loans	5,512	5,174
Subordinated loans (note 9)	197	171
Taxation and social security	401	326
Corporation tax	97	-
Accruals including accrued interest on loans	1,197	1,172
	<hr/> 7,404	<hr/> 6,843

9. **Creditors:** amounts falling due after more than one year

	2022 £000	2021 £000
Bank loans	8,138	12,961
Subordinated loans	442	640
Other financial liabilities	1,075	1,286
	<hr/> 9,655	<hr/> 14,887

Total subordinated loans are £639,000 (2021: £811,000) at an interest rate of 15% per annum, repayable over a period of 17 years.

In June 2003 the Company refinanced the project. The bank loan is drawn under a non-recourse financing agreement. The new bank loan is repayable twenty-four and a half years following financial close in six-monthly instalments which commenced in August 2003 and is secured by a fixed and floating charge over the assets of the Company.

Included within bank loans and overdrafts are bank arrangement fees of £Nil (2021: £Nil), which have been written off over the life of the loan.

The outstanding balance on the subordinated and bank loans may be analysed by maturity as follows:

	2022 £000	2021 £000
Repayable		
within one year	5,709	5,346
between one and two years	5,220	5,709
between two and five years	3,360	7,892
	<hr/> 14,289	<hr/> 18,947

## CITY LINK (CARDIFF) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 2022

## 10. Provisions for liabilities and charges

**Deferred tax (liability)/asset**

Deferred tax (liability)/asset is attributable to the following:

	2022 £000	2021 £000
Group		
On revaluation of fair value of derivatives	267	320
Accelerated capital allowances	(302)	(387)
Short term timing differences	10	10
	<u>(25)</u>	<u>(57)</u>

	1st January 2021 £000	Recognised in income £000	Recognised in equity £000	31st December 2021 £000
Movement in deferred tax during the previous year				
Deferred tax on revaluation of fair value of derivatives	283	91	(54)	320
Accelerated capital allowances	(436)	49	-	(387)
Short term timing differences	10	-	-	10
	<u>(143)</u>	<u>140</u>	<u>(54)</u>	<u>(57)</u>
	1st January 2022 £000	Recognised in income £000	Recognised in equity £000	31st December 2022 £000
Movement in deferred tax during the year				
Deferred tax on revaluation of fair value of derivatives	320	5	(58)	267
Accelerated capital allowances	(387)	85	-	(302)
Short term timing differences	10	-	-	10
	<u>(57)</u>	<u>90</u>	<u>(58)</u>	<u>(25)</u>

CITY LINK (CARDIFF) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 2022

11. Share capital

	Allotted, called up and fully paid			
	2022 No.	2021 No.	2022 £	2021 £
'A' ordinary shares of £1 each	50,000	50,000	50,000	50,000
'B' ordinary shares of £1 each	50,000	50,000	50,000	50,000
	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

All classes of shares rank pari passu to each other with regard to voting and rights to dividends.

12. Reserves

**Profit and loss account reserve**

The profit and loss reserve contains the cumulative retained earnings carried forward less distributions to owners.

**Cash flow hedge reserve**

The cash flow hedge reserve contains the effective element of the fair market valuation of interest rate swaps and RPI with the ineffective element having been charged to the profit and loss account.

## 13. Financial instruments

Financial instrument measured at fair value  
Derivate financial instruments

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cashflows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Hedge accounting	2022				
	Carrying amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
Interest rate swap	18	18	-	-	-
RPI swap	1,057	606	451	-	-
	<u>1,075</u>	<u>624</u>	<u>451</u>	<u>-</u>	<u>-</u>
	2021				
	Carrying amount £000	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	5 years and over £000
Interest rate swap	261	168	78	15	-
RPI swap	1,025	299	341	385	-
	<u>1,286</u>	<u>467</u>	<u>419</u>	<u>400</u>	<u>-</u>
Liabilities measured at fair value			2022 £000		2021 £000
Interest and RPI rate swaps			<u>1,075</u>		<u>1,286</u>

The Company has entered into interest rate swaps under the bank loan which expire in February 2022 and February 2024. Fixed rates of 6.45% and 4.71% apply to all amounts drawn down under the facilities. The interest rate swap convert the borrowings from the rates linked to SONIA to the fixed rates above.

In addition, the Company has also entered into an RPI swap to manage its exposure to inflation in relation to the Unitary Charge. The Unitary Charge is subject to an annual inflationary charge as part of the contract and to limit the impact on future profits this swap has been entered into. The swap contract exchanges fixed amounts each period in return for RPI indexed payments to the swap counterparty.

CITY LINK (CARDIFF) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
AT 31ST DECEMBER 2022

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14. **Related party transactions**

VINCI Pensions Limited has a subordinated loan balance of £639,000 (2021: £811,000) with the Company (see notes 8 and 9).

Interest payable in the year was £124,000 (2021: £111,000) of which £114,000 was paid (2021: £111,000).

The parent company, City Link (Cardiff) Holdings Limited has a loan balance of £4,030,000 (2021: £3,784,000) with the Company (see note 7). Interest receivable by the Company in the year was £246,000 (2021: £211,000). Loan repayments in the year were £nil (2021: £nil).

15. **Ultimate parent undertaking**

The Company's immediate parent undertaking is City Link (Cardiff) Holdings Limited. The ultimate parent undertaking is VINCI Pensions Limited, the corporate trustee of the VINCI PLC Pension Fund. The address from which the financial statements can be obtained is Ditton Road, Widnes, Cheshire, WA8 0PG.

The directors are of the opinion that there is no sole controlling party.