

**TRANSPORT FOR WALES**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

# TRANSPORT FOR WALES

## COMPANY INFORMATION

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### Directors

P Kennedy  
J Price  
B McKenzie  
A Falleyn  
M Dorchester (Appointed 01/09/2017)  
N Gregg (Appointed 01/09/2017)

### Company number

09476013

### Registered office

QED Centre, Main Avenue  
Treforest Industrial Estate  
Pontypridd  
Rhondda Cynon Taf  
CF37 5YR

### Auditor

Haines Watts Wales LLP  
7 Neptune Court  
Vanguard Way  
Cardiff  
CF24 5PJ

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# TRANSPORT FOR WALES

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# TRANSPORT FOR WALES

## STRATEGIC REPORT

*FOR THE YEAR ENDED 31 MARCH 2018*

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The Chair on behalf of the directors presents the strategic report and financial statements for the year ended 31 March 2018.

### **Business strategy and objectives**

Transport for Wales exists to 'Keep Wales Moving' by delivering customer focused services, expert advice and infrastructure investment. Transport connects people and communities, underpins sustainable development and enables economic growth. Better public transport services will result in real benefits for people, including better access to employment opportunities and better integration of services, such as education and health, with the public transport system.

Across Wales and its borders, Transport for Wales collaborates with other transport providers, partners and stakeholders to deliver a safe, accessible, reliable, affordable and low carbon integrated transport system. Our vision is to create a transport network of which Wales is proud.

There are several strategic objectives that we seek to achieve over the next five to ten years in support of our vision and aligned with our purpose:

- **Improved customer services:** We will develop a common customer service ethos across transport services in Wales and its borders focused on the needs of people, involving communities and business to deliver safe, reliable, affordable and low carbon transport.
- **Fully integrated:** We will focus on continually improving integration between different modes of transport. Integration requires reliable information provision, simplified ticketing and joined-up services where interchange takes place, as well as thought through and wherever possible co located services e.g. bus and rail stations located together.
- **Reinvesting in transport:** We will ensure that any surplus from our operations is re-invested in transport services and infrastructure for the benefit of customers.
- **Ensuring we serve all of Wales effectively:** We will ensure that we maximise our understanding of local and regional needs across Wales for the benefit of current and future transport users. Our immediate plans to achieve this include a North Wales Business Unit in early 2018 and the establishment of our headquarters with key partners at Pontypridd in 2019/20.
- **Developing skills sustainably:** The success of Transport for Wales relies upon the development of skills for delivery of services and infrastructure. We will look at ways to procure infrastructure and services that lead to even greater local and regional benefits. We will work with SMEs and larger organisations in an alliancing approach to maximise direct value for money through efficient and effective delivery, as well as wider sustainable economic benefits.
- **Connecting communities:** Our approach with many of our objectives will underpin our aim to ensure communities are properly connected. Beyond transport links, the focus on regeneration and place-making opportunities to support sustainable growth and our commitment to the Welsh language will support this objective.
- **Transport modelling, land use planning:** We will establish an evidence-based approach to support decision making associated with infrastructure investment. We will provide support to ensure opportunities to maximise the amount of residential, business and leisure space within walking distance of public transport and to improve connectivity and increase transport's contribution towards the lowering of carbon footprints are fully understood.
- **Environment/Carbon:** We will deliver on decarbonising our transport networks and improving the air quality of the communities they serve, seeking to prevent the associated negative impact on health.

# TRANSPORT FOR WALES

## STRATEGIC REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 MARCH 2018*

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### **Business review**

During the last year the main focus has continued to be the procurement of the Operator and Development Partner (ODP) for the Wales and Borders and South Wales Metro rail services. After the competitive procurement process, the contract was awarded to KeolisAmey and signed on 4th June 2018. Rail services will transfer to KeolisAmey on 14 October 2018 and a series of improvements are planned to be delivered, including more services, newer trains, improved stations and smart ticketing to be rolled out across Wales.

To achieve the aim of transforming public transport service in Wales by making it faster, more frequent and integrated, Transport for Wales has procured a number of Infrastructure Deliver Partners (IDPs) to our Sustainable Transport Infrastructure Delivery (STriDe) Framework, which will undertake transport-related infrastructure projects in Wales, including the South Wales and North Wales Metro. The first contracts to be issued under the new framework are expected in July 2018.

To achieve our objectives and to ensure there is clear accountability we believe that it would be desirable for Transport for Wales to take over ownership of the infrastructure and related assets comprised in the Core Valley Lines. The asset transfer is progressing well, with a set of commercial principles being agreed with Network Rail in September 2017. The Transfer Framework Agreement and Hold Harmless Agreement, are currently being developed for agreement with Network Rail by the summer 2018.

Transport for Wales has continued to expand its management team and resources have been mobilised following the award of the ODP contract and ahead of the rail services commencement in October 2018.

During the year, the Company made a surplus after taxation of £409,000. This surplus arises due to the application of transfer pricing provisions, whereby Transport for Wales applies a margin to its costs incurred for its advisory services provided to the Welsh Government. The surplus will be reinvested into the Company's activities to meet the stated objectives.

### **Safety and sustainability**

Safety and sustainability are core values for Transport for Wales that pervade our organisation and our partnerships with others. A Safety and Sustainability directorate will be established in 2018 thus ensuring that the responsibilities of the operational functions are clearly separated from the compliance and quality assurance function. The new directorate will be responsible for leading, supporting and challenging the organisation across all operations and corporate services. Safety arrangements for Transport for Wales are regularly reported to the Board, allowing appropriate review and questioning with regard to all safety aspects.

The new directorate will also employ a Supply Chain Champion, the procurement of which is underway, who will support effective engagement and delivery to achieve our aims of working in alliance arrangements with a range of delivery organisations, whilst achieving wider community benefits.

### **Future developments**

For the financial year ending 31 March 2019, the Company's business plan reflects the objectives listed above and the content of the remit letter received. The Welsh Government is developing business cases for potential further services to be provided by Transport for Wales, such as the increased involvement in the provision and oversight of bus services and an increased role in the delivery of highways infrastructure and provision of highways network management. We are therefore putting appropriate preparations in place to address those requirements throughout the upcoming year.

# TRANSPORT FOR WALES

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2018**

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### Principal risks and uncertainties

Transport for Wales is currently funded exclusively by the Welsh Government, with funds agreed on an annual basis, its key risk and uncertainty therefore is the extent and profile of longer term government funding. The Welsh Government is committed to improvements in the transport network for Wales and the Company is working closely with Welsh Government representatives to understand and manage any funding constraints.

Transport for Wales has an extensive programme of work over the next five-year period and there is a risk of skills availability for delivering the projects. To mitigate this risk, the Company is working with the supply chain, both through the ODP and the STRiDe framework, to ensure that where there are skills gaps these can be met over time.


The contractual arrangements for the rail service and being an infrastructure owner with the Core Valley Lines will bring long term risks for Transport for Wales to manage. Where possible, these risks have been mitigated within the contracts but the risks will be managed closely through the governance arrangements in place and in partnership with the ODP and IDPs.

### Key performance indicators

For the current year, key performance indicators have been focused on meeting the procurement timescales for the appointment of the ODP and IDPs for the Wales and Borders and South Wales Metro rail services. The procurement for the rail services and new STRiDE framework have now been successfully completed (see Business Review section above).

For the upcoming year, key performance indicators have been set based on four main themes: customer focused services, expert advice, infrastructure investment and corporate. These will be monitored throughout the year and reported in the annual report for the year ending 31 March 2019.

On behalf of the board



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N Gregg

Chair of the Board of Directors

29 June 2018  
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# TRANSPORT FOR WALES

## DIRECTORS' REPORT

### *FOR THE YEAR ENDED 31 MARCH 2018*

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The directors present their annual report and financial statements for the year ended 31 March 2018.

The Corporate Governance Statement set out on pages 6 to 8 forms part of this report.

#### **Results**

The results for the year are set out on page 11.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Falleyn	
B McKenzie	
G Morgan	(Resigned 15/01/2018)
J Price	
M Drury-Rose	(Resigned 19/01/2018)
P Kennedy	
S Evans	(Resigned 28/04/2017)
M Dorchester	(Appointed 01/09/2017)
N Gregg	(Appointed 01/09/2017)

#### **Qualifying third party indemnity provisions**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

#### ***Financial risk management objectives and policies***

The Company's principal risk is credit risk. The principle financial assets are cash and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with the Welsh Government.

#### **Future developments**

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

# TRANSPORT FOR WALES

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board



J Price  
Director

29 June 2018



# TRANSPORT FOR WALES

## CORPORATE GOVERNANCE STATEMENT

*FOR THE YEAR ENDED 31 MARCH 2018*

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### **Introduction**

As the Chief Executive and Accounting Officer for Transport for Wales, I am personally responsible for the overall management and governance of the Company. The Governance Statement outlines how I have discharged my responsibility to manage and control the resources of Transport for Wales during the course of the year. Transport for Wales is committed to high standards and robust governance is vitally important to the Company, particularly as its activities are currently funded exclusively from the public purse.

### **The Board**

The Board is responsible for establishing and taking forward the strategic aims and objectives of Transport for Wales, consistent with its overall purpose and within the determined policy and resources framework. The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The Chair and Board members are appointed in accordance with the Company's Articles of Association and are collectively responsible for :

- Providing effective leadership, strong governance, defining and developing strategic direction and setting challenging objectives;
- Promoting high standards of public finance and upholding the principles of regularity, propriety and value for money;
- Ensuring that the Company's activities are conducted efficiently and effectively;
- Monitoring performance to ensure that Transport for Wales fully meets its aims, objectives and performance targets; and
- Ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

The Chair's responsibilities are shared by the other members of the Board, who are expected to support the Chair in this role and act in accordance with those responsibilities in carrying out their own duties. The Board may delegate to staff responsibility for the administration of day-to-day management issues but remains ultimately responsible and accountable for all matters. The Company maintains a list of matters which are reserved for decision by the Board as well as a scheme of delegation approved by the Board.

Information is provided in advance of each Board meeting to allow open discussion to take place, and if appropriate, decisions to be made. Members of the Executive Team regularly attend and make presentations at Board meetings and a representative from the Company's sole guarantor Member attends each Board meeting.

The Directors and the members of the Executive Team are all required to complete a Conflict of Interest Statement form to ensure that potential conflicts of interest are identified. The Directors are reminded to declare any conflicts of interest prior to each Board meeting. Any conflicts identified are then declared in the minutes and the Director does not take part in that agenda item.

The Board currently has five non-executive directors (including the Chair) and one executive director. The Board considers that all non-executive directors are independent. Additional non-executive directors are being recruited and the new Finance Director will join the board as a second executive director. Following the recruitment, the Board's collective experience will provide a mix of relevant skills and experience such that no undue reliance is placed on any one individual. Alongside these changes, the Board is reviewing the structure of Committees and Terms of Reference for these are being developed.

# TRANSPORT FOR WALES

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

*FOR THE YEAR ENDED 31 MARCH 2018*

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### **Board Meetings and Attendance Record**

The number of Board meetings held during the year and Directors' attendance (Directors' holding office at 31 March 2018) is shown in the table below :

Director	Attendance
N Gregg (Chair)	4/4 (appointed 01/09/2017)
M Dorchester	3/4 (appointed 01/09/2017)
A Falley	7/9
P Kennedy	6/9
B McKenzie	9/9
J Price (Chief Executive)	9/9

### **The Executive Team**

The Executive Team, comprising of the Chief Executive Officer and Executive Directors, are responsible for:

- Running the Company, including Finance, HR, Health and Safety and Legal matters, within the agreed governance framework;
- Performance and delivery of projects; and
- Performance and delivery of day-to-day operations e.g. rail services.

The Executive Team has been developed this year with three out of the planned seven Directors in place. The remaining Executive roles are being recruited and it is expected that the full team will be established by autumn 2018. The Directors have functional based responsibilities covering the whole of Wales.

The team meet on a weekly basis to discuss and agree corporate and operational matters.

# TRANSPORT FOR WALES

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

*FOR THE YEAR ENDED 31 MARCH 2018*

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### **Risk Management**

The Board of Directors are responsible for the management of the risks relating to the operations of Transport for Wales. The Company has undertaken an assessment of the risks it faces and the key risks are contained in the Risk Register, which is reviewed on a regular basis by the Board and Executive Team.

The risk register identifies potential risks and prioritises them according to the impact and likelihood of the risk occurring. Preventative measures for the risks are put into place in order to reduce and manage the risks identified.

### **Governance**

As Chief Executive, I have responsibility for reviewing the effectiveness of the system of internal control. Transport for Wales is committed to a process of continuous development and improvement. A programme of work for internal audit in 2019/20 is being developed by the Executive Team and will be reviewed and approved by the Board.

I am satisfied that for the financial year ended 31 March 2018 a sound governance framework and system of internal controls were in place. They supported the achievement of Transport for Wales' policies, aims and objectives; facilitated effective exercise of the Company's functions and safeguarded public funds and assets for which the Accounting Officer is personally responsible.



James Price  
Chief Executive and Accounting Officer

29 June 2018

# TRANSPORT FOR WALES

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF TRANSPORT FOR WALES

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#### Opinion

We have audited the financial statements of Transport For Wales for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

# TRANSPORT FOR WALES

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF TRANSPORT FOR WALES

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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 Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where 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 set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

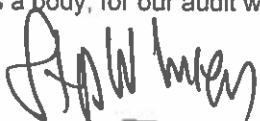
#### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located 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.



Stephen Lucey FCA (Senior Statutory Auditor)  
for and on behalf of Haines Watts Wales LLP, Statutory Auditors

7 Neptune Court

Vanguard Way

Cardiff

CF24 5PJ

Date: .....

29 June 2018

**TRANSPORT FOR WALES**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2018**

		2018	Period ended 31/03/2017 as restated £000
	Notes	£000	£000
Revenue	2	10,272	8,833
Administrative expenses		(9,760)	(8,566)
<b>Operating surplus</b>	<b>3</b>	<b>512</b>	<b>267</b>
Income tax expense	5	(103)	(50)
<b>Surplus for the year / period</b>	<b>10</b>	<b>409</b>	<b>217</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

**TRANSPORT FOR WALES**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2018**

	Notes	2018 £000	2017 as restated £000
<b>Non-current assets</b>			
Property, plant and equipment	6	6,101	143
<b>Current assets</b>			
Trade and other receivables	8	3,019	1,547
Cash and cash equivalents		1,829	923
		4,848	2,470
<b>Total assets</b>		<b>10,949</b>	<b>2,613</b>
<b>Current liabilities</b>			
Trade and other payables	9	4,099	2,201
Current tax liabilities		116	32
		4,215	2,233
<b>Net current assets</b>		<b>633</b>	<b>237</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		5	18
<b>Total liabilities</b>		<b>4,220</b>	<b>2,251</b>
<b>Net assets</b>		<b>6,729</b>	<b>362</b>
<b>Reserves</b>			
Capital reserves		6,103	145
Retained earnings	10	626	217
<b>Total equity</b>		<b>6,729</b>	<b>362</b>

The financial statements were approved by the Board of directors and authorised for issue on 22/6/18  
Signed on its behalf by:



J Price  
Director

Company Registration No. 09476013

# TRANSPORT FOR WALES

## STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2018

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	Notes	Capital reserves £000	Retained earnings £000	Total £000
Surplus and total comprehensive income for the period as restated		-	217	217
Transfer to capital reserves		219	-	219
Transfer from capital reserves		(74)	-	(74)
Balance at 31 March 2017		<u>145</u>	<u>217</u>	<u>362</u>
Surplus and total comprehensive income for the year		-	409	409
Transfer to capital reserves		6,055	-	6,055
Transfer from capital reserves		(97)	-	(97)
Balance at 31 March 2018		<u>6,103</u>	<u>626</u>	<u>6,729</u>



# TRANSPORT FOR WALES

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

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	Notes	2018 £000	£000	Period ended 31/03/2017 £000	£000
<b>Cash flows from operating activities</b>					
Cash generated from operations	13		938		923
Tax paid			(32)		-
<b>Net cash inflow from operating activities</b>			906		923
<b>Purchase of tangible fixed assets</b>		(6,055)		(219)	
Capital income received		6,055		219	
<b>Net cash used in investing activities</b>			-		-
<b>Net increase in cash and cash equivalents</b>			906		923
Cash and cash equivalents at beginning of year / period			923		-
Cash and cash equivalents at end of year / period			1,829		923

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# TRANSPORT FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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### 1 Accounting policies

#### Company information

Transport For Wales is a company limited by guarantee, with its sole member being the Welsh Government, incorporated in England and Wales. The registered office is QED Centre, Main Avenue, Treforest Industrial Estate, Pontypridd, Rhondda Cynon Taf, CF37 5YR.

#### 1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below and have been applied consistently to all periods presented in these financial statements.

#### 1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Income received from the Welsh Government relating to costs yet to be incurred are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs for which they are intended to compensate.

Income received from the Welsh Government relating to capital expenditure is initially recognised within capital reserves. Income is recognised in the Statement of Comprehensive Income over the period necessary to match it with the depreciation cost of the asset.

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Improvement to property	Straight line over 2 years
Fixtures and fittings	Straight line over 5 years
Computer equipment	Straight line over 3 years
Assets under construction	Depreciation on assets under construction does not commence until they are complete and available to use

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

# TRANSPORT FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2018

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#### 1 Accounting policies

##### 1.5 Impairment of tangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### 1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

##### 1.7 Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

##### *Loans and receivables*

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

# TRANSPORT FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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### 1 Accounting policies

#### *Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

### 1.8 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost 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 cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

#### *Derecognition of financial liabilities*

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# TRANSPORT FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2018

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#### 1 Accounting policies

##### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.11 Retirement benefits

Contributions to a defined contribution pension scheme are charged to the Statement of Comprehensive Income in the year to which they relate.

#### 1.12 Leases

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

# TRANSPORT FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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### 2 Turnover

An analysis of the Company's turnover is as follows:

	2018	Period ended 31/03/2017 as restated
	£000	£000
Core Advisory to Welsh Government	10,269	8,833
Other revenue	3	-
	<u>10,272</u>	<u>8,833</u>

### 3 Operating surplus

	2018	Period ended 31/03/2017
	£000	£000
Operating surplus for the year / period is stated after charging:		
Other operating leases	92	80
Fees payable to the Company's auditor for the audit of the Company's financial statements	5	3
Depreciation of property, plant and equipment	97	76
	<u>194</u>	<u>159</u>

Under the transfer pricing provisions, Transport for Wales applies a margin to its costs incurred for its advisory services provided to the Welsh Government. The mark-up generates a surplus, which is reinvested in the Company's activities to meet the stated objectives.

# TRANSPORT FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2018

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#### 4 Employees

The average monthly number of persons employed by the Company during the year / period was:

	2018 Number	Period ended 31/03/2017 Number
Employees	6	2

Their aggregate remuneration comprised:

	2018 £000	Period ended 31/03/2017 £000
Wages and salaries	249	99
Social security costs	26	10
Pension costs	10	-
	<u>285</u>	<u>109</u>

The Company did not directly employ or remunerate any directors during the year / period.

#### 5 Income tax expense

	Continuing operations	
	2018 £000	Period ended 31/03/2017 as restated £000
<b>Current tax</b>		
Current year taxation	116	32
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(13)	18
Total tax charge	<u>103</u>	<u>50</u>

# TRANSPORT FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2018

#### 5 Income tax expense

The charge for the year / period can be reconciled to the surplus per the Statement of Comprehensive Income as follows:

	2018 £000	Period ended 31/03/2017 £000
Surplus before taxation	512	267
Expected tax charge based on a corporation tax rate of 19% / 20%	97	53
Expenses not deductible in determining taxable profit	4	-
Impact of rate difference	2	(3)
Tax charge for the year / period	103	50

#### 6 Tangible fixed assets

	Improvement to property £000	Assets under construction £000	Fixtures and fittings £000	Computer equipment £000	Total £000
<b>Cost</b>					
At 31 March 2017	160	-	41	18	219
Additions	5	6,044	4	2	6,055
At 31 March 2018	165	6,044	45	20	6,274
<b>Accumulated depreciation</b>					
At 31 March 2017	64	-	7	5	76
Charge for the year	82	-	9	6	97
At 31 March 2018	146	-	16	11	173
<b>Carrying amount</b>					
At 31 March 2018	19	6,044	29	9	6,101
At 31 March 2017	96	-	34	13	143

#### Assets under construction

Transport for Wales is undertaking a programme of capital works in-line with its stated objectives and agreed remit letter. The capital spend incurred in the current year represents rail improvement projects, such as the Core Valley Lines to support the development of the South Wales Metro and a new railway station and stabling facilities in Llanwern.



# TRANSPORT FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2018

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#### 7 Prior year adjustment

A prior year adjustment has been necessary as a transfer pricing adjustment was not recognised in the period ended 31 March 2017 accounts.

The 2017 figures are restated taking into account the transfer pricing adjustment less the Corporation Tax charged thereon.

#### 8 Debtors

	Due within one year	
	2018	2017
	£000	£000
Trade debtors with related parties	2,924	1,463
Other receivables	95	84
	<u>3,019</u>	<u>1,547</u>

#### 9 Creditors

	Due within one year	
	2018	2017
	£000	£000
Trade creditors	1,668	780
Accruals and deferred income	2,125	1,374
Social security and other taxation	303	47
Other creditors	3	-
	<u>4,099</u>	<u>2,201</u>

#### 10 Retained earnings

	£000
At 1 December 2015	-
Surplus for the year	217
	<u>217</u>
At 31 March 2017	217
Surplus for the year	409
	<u>626</u>
At 31 March 2018	626

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# TRANSPORT FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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### 11 Operating lease commitments

#### Lessee

Amounts recognised in the Statement of Comprehensive Income as an expense during the year / period in respect of operating lease arrangements are as follows:

	2018 £000	2017 £000
Minimum lease payments under operating leases	92	80

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £000	2017 £000
Within one year	69	69
Between two and five years	35	69
	<u>104</u>	<u>138</u>

# TRANSPORT FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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### 12 Related party transactions

The Company is a wholly controlled subsidiary of the Welsh Government and therefore the Welsh Government is regarded as a related party. During the year, the Company received income from the Welsh Government of £10,269,000 (2017: £8,833,000).

At 31 March 2018, the Company was owed £2,924,000 by the Welsh Government (2017: £1,463,000) in relation to services provided and is included in trade debtors.

There is a deferred income balance with the Welsh Government of £444,000 (2017: £829,000) included within the accruals and deferred income balance.

### 13 Cash generated from operations

	2018 £000	Period ended 31/03/2017 £000
Surplus for the year / period after tax	409	217
<b>Adjustments for:</b>		
Taxation charged	103	50
Depreciation of tangible fixed assets	97	76
Transfer from capital reserves	(97)	(76)
<b>Movements in working capital:</b>		
Increase in debtors	(1,473)	(1,546)
Increase in creditors	1,899	2,202
<b>Cash generated from operations</b>	<u>938</u>	<u>923</u>