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NEWPORT TRANSPORT LIMITED

DIRECTORS REPORT ON THE ACCOUNTS

FOR THE PERIOD 10th MARCH 1986 TO 31st MARCH 1987

BOARD OF DIRECTORS

The following people served as Directors of the Company during this financial period:

Honorary Alderman A E Hames	Chairman
Councillor W Jenkins	
Councillor E J Travers	
Councillor S M Watson OBE	
Councillor S Bertie	
Councillor G Davies	
Mr. C Thompson	
Mr. E J Marsh	
Mr. W Briddon	
Mr. V Clayden	

None of the directors has any interest in the shares of the Company.

REVIEW OF THE BUSINESS

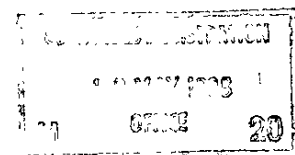
The Company took over the operations of the former Borough Transport Department on the 26th October 1986, as required by the 1985 Transport Act. Preparation for deregulation day included the registering of 98% of the mileage previously operated by the Department as a commercially viable network. Gwent County Council had invited tenders to operate most of remaining 2% and the Company was successful in winning the contract to do so. The services provided by the company were thus almost identical to those operated by its predecessor.

FUTURE DEVELOPMENTS

The Company intends to continue its policy of developing and improving its principal activities. Consideration will be given to suitable diversification where this may be possible, particularly into other aspects of the travel market. To this end a minibus operated network was introduced in the summer of 1987.

EMPLOYMENT OF DISABLED PEOPLE

The Company is committed to giving full and fair consideration to the abilities and aptitudes of the applicant against the requirements of the job which he or she has applied for. Depending on the severity and duration of a disability, individuals may be considered for alternative work.



NEWPORT TRANSPORT LIMITED
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DIRECTORS REPORT ON THE ACCOUNTS  
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FOR THE PERIOD 10th MARCH 1986 TO 31st MARCH 1987
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EMPLOYEE INVOLVEMENT  
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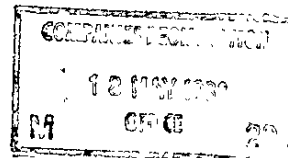
The long established joint consultation machinery continued to function and a new body was created to carry out local wage negotiations.

DIVIDEND
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The directors recommend that no dividend be paid. Any capital expenditure incurred by the Company other than from revenue counts against the capital allocation of the parent authority, and for this reason the directors have decided to transfer all profits to reserves.

APPROVAL OF ACCOUNTS  
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The accounts on pages 1 to 8 were approved on 10th November 1987 by the Board of directors, who authorised two Directors to sign the accounts on behalf of the Board.



NEWPORT TRANSPORT LIMITED
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 BALANCE SHEET as at 31st MARCH 1987  
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NOTE

2	FIXED ASSETS		2,378,900
	CURRENT ASSETS		
1(iv)	Stocks - Raw Materials & Consumables	145,246	
3	Debtors	198,622	
	Prepayments & Accrued Income	75,333	
	Cash at bank and in hand	278,530	

		697,731	
	CREDITORS		
4	Amounts falling due within one year	805,969	

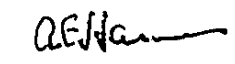

	NET CURRENT LIABILITIES		(108,238)

	TOTAL ASSETS LESS CURRENT LIABILITIES		2,270,662
5	CREDITORS DUE AFTER ONE YEAR		1,932,747

		£ 337,915	
		=====	
	CAPITAL AND RESERVES		
6	Called up share capital		251,000
	Profit and loss account		86,915

		£ 337,915	
		=====	

APPROVED BY THE BOARD ON 10th NOVEMBER 1987

), DIRECTORS
)

NEWPORT TRANSPORT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD 10th MARCH 1986 TO 31st MARCH 1987

NOTE

1 (v)	TURNOVER	2,165,083
7	Cost of Sales	1,874,256
	GROSS PROFIT	290,827
8	Administrative Expenses	192,879
	TRADING PROFIT	97,948
9	Interest Receivable	8,088
	OPERATING PROFIT	106,036
10	Tax on profit on ordinary activities	51,458
	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	54,578
11	Extraordinary Item	32,337
	PROFIT FOR THE FINANCIAL PERIOD	£ 86,915

NEWPORT TRANSPORT LIMITED

NOTES ON THE ACCOUNTS

FOR THE PERIOD 10th MARCH 1986 TO 31st MARCH 1987

NOTE 1 ACCOUNTING POLICIES

i) The Company was incorporated on 10th March 1986, and these Accounts cover the period from 10th March 1986 to 31st March 1987. However trading began on 26th October 1986.

ii) These Accounts meet the requirements of the Companies Act 1985 without limiting the information given, and the Statements of Standard Accounting Practice issued by member bodies of the Consultative Committee of Accountancy Bodies, except where specifically noted. The Accounts are prepared under the historic cost convention.

iii) Depreciation on the cost of fixed assets is provided over the following number of years on a straight line basis, to write off the assets over their estimated useful lives, from the beginning of the Accounting Period in which they were first utilised.

Buses	15 Years
Midi Buses	7 Years
Coaches	10 Years
Commercial Vehicles	5 Years
Plant & Machinery	5 Years
Ticket Machines	10 Years
Land & Buildings	50 Years

Plant & machinery and vehicles acquired under leasing arrangements which are in substance of a financing nature are shown as leased assets at cost less depreciation calculated in accordance with the accounting policy set out above. Interest payable includes notional interest on the leasing arrangements calculated by the actuarial method, in accordance with SSAP 21. The net amount owing in respect of these arrangements, after deducting interest attributable to future periods, is included in creditors.

However in this first exceptional period, depreciation is calculated from 26th October 1986, the date on which the Company started trading.

iv) Stocks are valued at the latest purchase price in accordance with the policy of Newport Borough Council, whose computer was used to process transactions, and it is not practicable to calculate stocks on any other basis for these accounts. This is not in accordance with SSAP 9. It is intended to value stock at average purchase price in future periods.

v) Turnover consists of fares received from passengers, local authority support for concessionary travel arrangements, and the value of other goods and services supplied to customers. Turnover excludes Value Added Tax.

NEWPORT TRANSPORT LIMITED
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NOTES ON THE ACCOUNTS  
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FOR THE PERIOD 10th MARCH 1986 TO 31st MARCH 1987
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NOTE 1 ACCOUNTING POLICIES (continued)  
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v1.) Provision is made at current rates for tax deferred in respect of all material timing differences except to the extent that, in the opinion of all the directors, there is a reasonable probability that the liability will not arise in the foreseeable future.

NOTE 2 FIXED ASSETS
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|                                                                                        | Plant & Machinery |        | Vehicles |         | Land & Buildings | TOTAL   |
|----------------------------------------------------------------------------------------|-------------------|--------|----------|---------|------------------|---------|
|                                                                                        | Owned             | Leased | Owned    | Leased  | Owned            |         |
|                                                                                        | £                 | £      | £        | £       | £                | £       |
| COST                                                                                   |                   |        |          |         |                  |         |
| ~~~~~                                                                                  |                   |        |          |         |                  |         |
| Acquired from Newport Borough Council, under Transfer Scheme (Net of reclassification) | 309291            | 6709   | 47553    | 1550447 | 339000           | 2253000 |
| Purchases in Period                                                                    | -                 | 56481  | -        | 212466  | -                | 268947  |
|                                                                                        | -----             | -----  | -----    | -----   | -----            | -----   |
| Total at 31st. March 1987                                                              | 309291            | 63190  | 47553    | 1762913 | 339000           | 2521947 |
|                                                                                        | =====             | =====  | =====    | =====   | =====            | =====   |
| DEPRECIATION                                                                           |                   |        |          |         |                  |         |
| ~~~~~                                                                                  |                   |        |          |         |                  |         |
| Charged in Period                                                                      | 22249             | 5505   | 43923    | 68545   | 2825             | 143047  |
|                                                                                        | -----             | -----  | -----    | -----   | -----            | -----   |
| Total at 31st. March 1987                                                              | 22249             | 5505   | 43923    | 68545   | 2825             | 143047  |
|                                                                                        | =====             | =====  | =====    | =====   | =====            | =====   |
| NET BOOK VALUE                                                                         |                   |        |          |         |                  |         |
| ~~~~~                                                                                  |                   |        |          |         |                  |         |
| Total at 31st. March 1987                                                              | 287042            | 57685  | 3630     | 1694368 | 336175           | 2378900 |
|                                                                                        | =====             | =====  | =====    | =====   | =====            | =====   |

NEWPORT TRANSPORT LIMITED  
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NOTES ON THE ACCOUNTS
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FOR THE PERIOD 10th MARCH 1986 TO 31st MARCH 1987  
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NOTE 3 DEBTORS
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All debtors are receivable within one year of the Balance Sheet date.

NOTE 4 CREDITORS DUE WITHIN ONE YEAR  
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Trade Creditors & Accruals	302,090
Leasing Obligations (Note 5)	452,421
Corporation Tax	51,458

	£ 805,969
	=====

NOTE 5
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The maturity of obligations under finance leases is as follows:

|                                                  |             |
|--------------------------------------------------|-------------|
| Under one year (included in current liabilities) | £ 452,421   |
|                                                  | =====       |
| Over one year                                    |             |
| In the second to fifth year inclusive            | 1,301,484   |
| Over five years                                  | 631,263     |
|                                                  | =====       |
|                                                  | £ 1,932,747 |
|                                                  | =====       |

NOTE 6 SHARE CAPITAL  
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The Company's authorised share capital is £ 2,000,000 divided into 2,000,000 shares of £1 each.

251,000 shares of £1 each have been allotted, called up, and fully paid.

NOTES ON THE ACCOUNTS
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FOR THE PERIOD 10th MARCH 1986 TO 31st MARCH 1987  
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NOTE 7
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COST OF SALES  
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Traffic Operation	869,849
Servicing, Repairs & Maintenance	406,876
Fuel, Licences & Accident Insurance	127,349
Finance Charges payable on finance leases	78,400
Welfare & Medical	4,150
Depreciation	139,072
Cost of work on non PSV vehicles	248,560

	£ 1,874,256
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NOTE 8
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ADMINISTRATION EXPENSES  
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Audit Fee	5,000
Depreciation	3,975
Wages & Salaries	63,442
Provision for increased pensions	24,844
Accommodation costs	27,275
Central establishment charges	35,516
Miscellaneous	32,827

	£ 192,879
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NOTE 9
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INTEREST RECEIVABLE  
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Interest receivable is interest on monies placed on short term deposit on the money market.

NOTE 10
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TAXATION  
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The tax charge has been calculated on the operating profit as adjusted by allowable and disallowable expenditure and claims for capital expenditure. The taxation charge comprises the following item:

U.K. Corporation Tax

£ 51,458
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NOTES TO THE ACCOUNTS

FOR THE PERIOD 10th MARCH 1986 TO 31st MARCH 1987

NOTE 11 EXTRAORDINARY ITEM

The leasing liabilities transferred from Newport Borough Council under the transfer scheme set up in accordance with the provisions of the Transport Act 1985 were valued by the "Rule of 78" method. According to SSAP 21 this method is a less reliable method for leases over 7 years in length and the liabilities calculated for the Balance Sheet at 31st March 1987 have been calculated by the actuarial method. This has resulted in the reduction of the outstanding liability by £ 44,488, and this amount has been added back to the Profit & Loss Account as an extraordinary gain. This gain has been increased by a corresponding reduction in the finance charge of £ 766 and reduced by an increase of £ 12,917 in the valuation of the liability of a lease which was estimated for the Transfer Scheme.

NOTE 12 EMPLOYEES

Staff Costs, including directors' emoluments, were:

Wages and salaries	1,095,787
Social security costs	75,895
Other pension costs	54,410

The average weekly number of persons employed by the Company was:

Weekly paid employees	229
Monthly paid employees	28

	257
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NOTE 13 DIRECTORS' EMOLUMENTS

Emoluments in respect of services to the Company	32,211
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NEWPORT TRANSPORT LIMITED
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 STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
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FOR THE PERIOD 10th MARCH 1986 TO 31st MARCH 1987
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|                                 |           |           |
|---------------------------------|-----------|-----------|
| SOURCE OF FUNDS                 |           |           |
| Net Profit Before Tax           |           | 106,036   |
| Extraordinary Item              |           | 32,337    |
| Add: Depreciation               |           | 143,047   |
|                                 |           | -----     |
| TOTAL GENERATED FROM OPERATIONS |           | 281,420   |
| FUNDS FROM OTHER SOURCES        |           |           |
| Issue of Share Capital          | 251,000   |           |
| Finance Leases                  | 2,385,168 |           |
|                                 | -----     |           |
|                                 |           | 2,636,168 |
|                                 |           | -----     |
| APPLICATION OF FUNDS            |           | 2,917,588 |
| Purchase of Fixed Assets        |           | 2,521,947 |
|                                 |           | -----     |
|                                 |           | 395,641   |
| INCREASE IN WORKING CAPITAL     |           |           |
| Increase in Stocks              | 145,246   |           |
| Increase in Debtors             | 273,955   |           |
| Increase in Creditors           | (302,090) |           |
|                                 | -----     |           |
|                                 | 117,111   |           |
|                                 |           |           |
| Increase in Net Liquid Funds    | 278,530   |           |
|                                 | -----     |           |
|                                 |           | £ 395,641 |
|                                 |           | =====     |

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AUDITORS' REPORT TO THE MEMBERS OF  
NEWPORT TRANSPORT LIMITED

I have audited the financial statements on pages 1 to 8 in accordance with approved Auditing Standards.

In my opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1987 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



P J Muir, LLB CA  
23 November 1987

