

**Ipswich Buses Limited
Report and Accounts
Period to 31st October 1998**

Company Number 2000058



REPORT OF THE DIRECTORS

The directors present their annual report and the audited accounts for the period from 26th October 1997 to 31st October 1998.

BUSINESS REVIEW

The principal activity of the company is bus operation.

The results for the period are summarised below in reporting components:-

	£
Turnover	5,585,566
Profit before and after taxation	11,271

The result was substantially hindered by pension provisions, in excess of those budgeted for. These relate to membership of the Local Government Pension Scheme (LGPS). The pre tax profit of £11,271 was after charging additional pension costs of £285,680, over and above the contributions made in cash terms.

The year saw the company continue to work in partnership with Suffolk County Council, Ipswich Borough Council, First Eastern Counties and Anglia Rail to encourage and promote a modal switch from private to public transport.

The company continued to operate the first Park & Ride scheme at Copdock, which continues to receive praise for its high standards of operation.

Orders are in place for a further three new low floor single deck buses to form the basis for the next Quality Partnership, a service in Ipswich.

During the year the company achieved the Chartermark Standard for its services. This is a major quality recognition by Central Government. To date Ipswich Buses is the only bus company to achieve this standard.

YEAR 2000

The Year 2000 presents a number of problems to companies in ensuring that their business computers and other systems are able to properly comply with a date change that incorporates double zero as the last two digits. The problem is not solely related to computer systems and may affect technology incorporated in other equipment.

The Directors have undertaken a review of the likely impact of the year 2000 on our computer systems and business. Where necessary, appropriate work is in hand to upgrade systems. The incremental increase in the cost of ensuring Year 2000 compliance is not expected to be significant.

Given the complexity of the problem it is not possible for any organisation to guarantee that no Year 2000 problems will remain, particularly with respect to the non-compliance by our suppliers and customers.

DIVIDEND

The directors do not recommend the payment of a dividend for the period. The profit for the financial year of £11,271 has been transferred to reserves.

DIRECTORS

The directors who served during the period were:

Robert J Caley (Chairman)
Martin Cook
Julian M Cusack

Julie J Dyson (Appointed 1/10/98)
Barry K Messenger
John C Mowles

Malcolm A Robson
Philip Smart
David W Whitford

No director had any interest in the share capital of the company.

No directors have held director's loans at any time during the period.

AUDITORS

At the company's last Annual General Meeting held on 29th April 1998, KPMG were reappointed as auditors of the company. A resolution concerning their reappointment as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



David W Whitford
Financial Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which gave 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 those 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;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to detect fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF IPSWICH BUSES LIMITED

We have audited the financial statements on pages 3 to 15.

Respective responsibilities of directors and auditors.

As described above the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st October 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors

Ipswich
16th June 1999

IPSWICH BUSES LIMITED

Profit and loss account for
the period from 26th October 1997 to 31st October 1998

	Note	1998	1997
		£	£
Turnover	2	5,585,566	4,900,441
Other operating income		51,691	117,177
Raw Materials and consumables		(604,635)	(573,614)
Other external charges		(836,943)	(701,774)
Staff costs	3	(3,756,497)	(3,457,127)
Depreciation		<u>(278,248)</u>	<u>(258,446)</u>
Operating Profit		160,934	26,657
Interest receivable		19,337	14,488
Interest payable and similar charges	4	<u>(169,000)</u>	<u>(130,555)</u>
Profit/(Loss) on ordinary activities before taxation	5	11,271	(89,410)
Taxation on profit/(loss) on ordinary activities	6	<u>—</u>	<u>11,000</u>
Profit/(Loss) on ordinary activities after tax	22	11,271	(78,410)
Accumulated (loss) brought forward		<u>(341,494)</u>	<u>(263,084)</u>
Accumulated (loss) carried forward		<u>(330,223)</u>	<u>(341,494)</u>

Other than the profit, shown above, for the financial period the company had no recognised gains or losses.

The notes on pages 6 to 15 form part of these accounts.

IPSWICH BUSES LIMITED

Balance Sheet at 31st October 1998

	Note	1998	1997
		£	£
Fixed Assets			
Tangible Assets	7	3,668,935	3,218,538
Current Assets			
Stocks	9	85,368	91,040
Debtors	10	480,479	416,097
Cash at bank and in hand		446,111	324,550
		<u>1,011,958</u>	<u>831,687</u>
Creditors: amounts falling due within one year	11	<u>(881,257)</u>	<u>(808,350)</u>
Net current assets		<u>130,701</u>	<u>23,337</u>
Total assets less current liabilities		3,799,636	3,241,875
Creditors: amounts falling due after more than one year	12	(1,812,464)	(1,508,395)
Provisions for liabilities and charges	14	(880,393)	(637,972)
Net Assets		<u><u>1,106,779</u></u>	<u><u>1,095,508</u></u>
Capital and reserves			
Called up share capital	21	1,437,002	1,437,002
Profit and loss account	22	(330,223)	(341,494)
		<u><u>1,106,779</u></u>	<u><u>1,095,508</u></u>

These accounts were approved by the board of directors on 16th June 1999 and signed on their behalf by:



Director

JULIAN CUSACK



Director

PHILIP SMART

The notes on page 6 to 15 form part of these accounts

IPSWICH BUSES LIMITED

Cash Flow Statement for the period
from 26th October 1997 to 31st October 1998

	Note	1998	1997
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	674,393	453,651
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		19,337	14,488
Interest paid	4	(22,669)	(21,270)
Interest element of finance lease rental payments		(146,331)	(109,285)
		<hr/>	<hr/>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(149,663)	(116,067)
TAXATION			
Corporation tax repaid including ACT	6	<hr/>	<hr/>
		---	11,000
TAX REPAID		<hr/>	<hr/>
		---	11,000
CAPITAL (EXPENDITURE)/RECEIPTS			
Payments to acquire tangible fixed assets		(16,221)	(3,018)
Receipts from sales of tangible fixed assets		10,857	117,400
		<hr/>	<hr/>
NET CASH (OUTFLOW)/INFLOW FROM FROM CAPITAL RECEIPTS		(5,364)	114,382
NET CASH INFLOW BEFORE FINANCING		<hr/>	<hr/>
		519,366	462,966
FINANCING: DECREASE IN DEBT			
Due after one year: Capital element of loan repayments	17	(12,064)	(12,064)
Capital element of finance lease rental payments	17	(385,741)	(368,229)
		<hr/>	<hr/>
NET CASH OUTFLOW FROM FINANCING	18	(397,805)	(380,293)
INCREASE IN CASH IN THE PERIOD	18	<hr/>	<hr/>
		121,561	82,673

IPSWICH BUSES LIMITED

Notes to the Accounts for the period from 26th October 1997 to 31st October 1998

1 ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's accounts.

a) Basis of accounting

The accounts have been prepared under the historical cost accounting convention, and in accordance with accounting standards.

b) Basis of consolidation

Ipswich Buses Limited has a wholly owned subsidiary, Ipswich Buses (1986) Limited. This company has been dormant for the past five years and under S229 of the Companies Act is not considered to be material for the purpose of giving a true and fair view of the results of the group.

c) Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets over their useful lives as follows:-

Freehold land	not depreciated
Freehold buildings	50 years on a straight line basis
Conventional Buses:	
Double deck buses acquired before 1980	20 years on a straight line basis
Other conventional buses	18 years on a straight line basis
Coaches	10 years on a straight line basis
Midibuses:	
Metroriders	12 years on a straight line basis
Others	7 years on a straight line basis
Plant and machinery	2-10 years on straight line basis

d) Leased assets

An asset acquired under a lease that transfers substantially all the risks and rewards of ownership to the group is capitalised as a tangible fixed asset and depreciated over its useful economic life. Outstanding obligations due under such leases are included as a liability. The finance element of the rental payments is charged to the profit and loss account, over the term of the lease.

e) Stocks

Stocks are valued at the lower of cost and net realisable value.

f) Repairs

Repairs and maintenance costs are written off to the profit and loss account at the time the expenditure is incurred.

g) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the foreseeable future.

h) Government grants and subsidies

Rebates in respect of duty paid on fuel have been included against the cost of the fuel in operating costs. Amounts received for tendered services and concessionary fare schemes have been included in turnover.

i) Pension costs

The company operates pension schemes providing benefits based on (a) for those in the scheme at 31st December 1993 - final pensionable pay and (b) for new entrants since 1st November 1994 - contribution level. The assets of the schemes are held separately from those of the company. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

2 TURNOVER AND PROFIT BEFORE TAXATION

All turnover and profit before taxation was derived from the company's principal activities and arose in the U.K. Turnover represents the amounts charged for services provided and is stated net of credits, allowances and Value Added Tax.

3 DIRECTORS AND EMPLOYEES

The average number of employees, including executive directors, during the period was as follows:-

	1998 No.	1997 No.
Drivers	145	138
Maintenance Staff	30	27
Management and administration	18	20
	<u>193</u>	<u>185</u>

Their aggregate payroll costs were:-

	1998 £	1997 £
Wages and salaries	2,817,635	2,609,154
Social security costs	226,751	211,676
Pension costs	660,085	582,257
	<u>3,704,471</u>	<u>3,403,087</u>

Pension costs include provisions of £28,702 for the expected additional cost of pensions payable to employees retiring early or having been made redundant and £256,978 being the difference between the funding rate being paid and the rate calculated to meet the liabilities over the average working lives of employees.

	1998 £	1997 £
Directors' emoluments excluding pensions	84,609	78,902
Pension contributions	13,613	13,034
	<u>98,222</u>	<u>91,936</u>

Retirement benefits are accruing to the following number of directors

Number of directors under:

	1998	1997
Money purchase schemes	<u>2</u>	<u>2</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On loans repayable within five years	22,669	21,270
Finance charges payable in respect of finance leases	146,331	109,285
	<u>169,000</u>	<u>130,555</u>

5 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit/(loss) on ordinary activities before taxation as stated after charging or (crediting):	1998 £	1997 £
Hire of plant and machinery under operating leases	17,164	18,130
Other operating leases	8,695	7,208
Auditors remuneration and expenses		
Statutory audit	9,925	9,500
Other work	3,085	3,600
(Profit) on sale of fixed assets	<u>(10,856)</u>	<u>(51,974)</u>

6 TAXATION ON THE PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1998 £	1997 £
Adjustment in respect of prior year recovered ACT	---	(11,000)
	<u>---</u>	<u>(11,000)</u>

7 TANGIBLE FIXED ASSETS

<u>Cost</u>	Land and Buildings £	Plant and Machinery £	Total £
At 26th October 1997	993,003	4,769,708	5,762,711
Additions	2,000	726,646	728,646
Disposals	---	(49,411)	(49,411)
At 31st October 1998	<u>995,003</u>	<u>5,446,943</u>	<u>6,441,946</u>
<u>Depreciation</u>			
At 26th October 1997	368,781	2,175,392	2,544,173
Charge for the year	12,010	266,238	278,248
Disposals	---	(49,410)	(49,410)
At 31st October 1998	<u>380,791</u>	<u>2,392,220</u>	<u>2,773,011</u>
<u>Net Book Value</u>			
At 31st October 1998	<u>614,212</u>	<u>3,054,723</u>	<u>3,668,935</u>
At 25th October 1997	<u>624,222</u>	<u>2,594,316</u>	<u>3,218,538</u>

The net book value of land and buildings is analysed as follows:-

	1998 £	1997 £
Freehold	614,212	607,998
Long Leasehold	---	16,224
	<u>614,212</u>	<u>624,222</u>

The gross book value of freehold land and buildings includes £838,003 (1997 £838,003) of depreciable assets.

Included in plant and machinery above are assets held under finance leases as follows:-

	1998 £	1997 £
Depreciation charged in the period	<u>194,284</u>	<u>158,704</u>
Net book value	<u>2,715,078</u>	<u>2,280,269</u>

8 FIXED ASSETS - INVESTMENTS

<u>Cost</u>	Shares in group undertakings £
As at 25th October 1997 and 31st October 1998	<u>138,000</u>
<u>Provision</u>	
As at 25th October 1997 and 31st October 1998	<u>(138,000)</u>
<u>Net Book Value</u>	
As at 25th October 1997 and 31st October 1998	<u>---</u>

The company owns the whole of the issued share capital of Ipswich Buses (1986) Limited a company registered in England and Wales, currently a dormant company.

9 STOCKS

	1998	1997
	£	£
Spare parts and consumables	<u>85,368</u>	<u>91,040</u>

10 DEBTORS

	1998	1997
	£	£
Trade debtors	295,701	230,422
Other debtors	28,752	34,481
Prepayments and accrued income	156,026	151,194
	<u>480,479</u>	<u>416,097</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£	£
Loans	5,974	12,064
Trade creditors	197,971	230,284
Other taxes	43,297	29,201
Social Security	41,748	29,956
Obligations under finance leases	345,648	339,007
Other creditors	46,165	32,104
Accruals and deferred income	200,454	135,734
	<u>881,257</u>	<u>808,350</u>

Included within other creditors is £44,656 relating to contributions payable in respect of pensions.

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998	1997
	£	£
Debenture loans	252,000	252,000
Other loans	---	5,974
Obligations under finance leases	1,560,464	1,250,421
	<u>1,812,464</u>	<u>1,508,395</u>

The debenture loan bears interest at the annual rate from time to time applicable to advances from a Loans Fund established by the Debenture Holder under paragraph 15 of Schedule 13 of the Local Government Act 1972. The debenture is repayable on 25th October 2001, or earlier at the company's option.

The other loan is repayable in instalments ending on 11th March 1999 and bears interest at a variable rate applicable to public works loans to the owning authority under supplementary authorisation procedures. All payments due are within five years.

13 OBLIGATIONS UNDER FINANCE LEASES

	1998	1997
	£	£
Amounts payable within one year	345,648	339,007
Amounts payable in the second to fifth years inclusive	1,165,888	879,770
Amounts payable thereafter	394,576	370,651
	<u>1,906,112</u>	<u>1,589,428</u>

14 PROVISIONS FOR LIABILITIES AND CHARGES

	1998	1997
	£	£
Pension provisions		
At beginning of year	637,972	468,331
Paid out during year	(43,259)	(26,003)
Charge to profit and loss account	285,680	195,644
	<u>880,393</u>	<u>637,972</u>

The potential deferred tax, calculated at 20%, not reflected in these accounts arose from:

	1998	1997
	Potential	Potential
	£	£
Accelerated capital allowances	(93,557)	(88,637)
Other timing differences	224,266	226,788
Potential deferred tax asset	<u>130,709</u>	<u>138,151</u>

15 COMMITMENTS

- (i) Capital commitments at the financial year end for which no provision has been made are as follows:-

	1998	1997
	£	£
Contracted	<u>259,401</u>	<u>552,425</u>

- (ii) Annual commitments under non-cancellable operating leases are as follows:-

	1998	1997
	£	£
Operating leases which expire:		
In the second to fifth years inclusive	24,182	7018
Over five years	3,502	17,164
	<u>27,684</u>	<u>24,182</u>

16 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating profit - defined as	1998 £	1997 £
Turnover	5,585,566	4,900,441
Other Operating Income	51,691	117,177
	<u>5,637,257</u>	<u>5,017,618</u>
Raw materials and consumables	(604,635)	(573,614)
Other external charges	(836,943)	(701,774)
Staff costs	(3,756,497)	(3,457,127)
Depreciation	(278,248)	(258,446)
Operating profit	<u>160,934</u>	<u>26,657</u>
Depreciation charges	278,248	258,446
(Profit) on sale of tangible fixed assets	(10,856)	(51,974)
Reduction in stocks	5,672	7,550
(Increase)/reduction in debtors	(64,382)	3,989
Increase in creditors	62,356	39,342
Increase in provision for liabilities and charges	242,421	169,641
NEW CASH INFLOW FROM OPERATING ACTIVITIES	<u><u>674,393</u></u>	<u><u>453,651</u></u>

17 ANALYSIS OF CHANGES IN FINANCING DURING YEAR

Loans and finance lease obligations	1998 £	1997 £
Opening balance	1,859,466	1,391,843
Capital element of lease repayments	(385,741)	(368,229)
Capital element of loan repayments	(12,064)	(12,064)
Inception of finance lease contracts	702,425	847,916
	<u><u>2,164,086</u></u>	<u><u>1,859,466</u></u>

18 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT (Note 19 also refers)

	1998 £	1997 £
Increase in cash in the period	121,561	82,673
Cash outflow from decrease in debt and lease financing	<u>397,805</u>	<u>380,293</u>
Movement in net debt resulting from cashflow	519,366	462,966
New finance leases	<u>(702,425)</u>	<u>(847,916)</u>
	(183,059)	(384,950)
Net debt brought forward	(1,534,916)	(1,149,966)
Net debt carried forward	<u><u>(1,717,975)</u></u>	<u><u>(1,534,916)</u></u>

19 ANALYSIS OF NET DEBT

	As at 25 October 1997	Cashflow	Other non-cash changes	As at 31 October 1998
	£	£	£	£
Cash in hand and at bank	324,550	121,561	—	446,111
Debt due after one year	(257,974)	—	5,974	(252,000)
Debt due within one year	(12,064)	12,064	(5,974)	(5,974)
Finance leases	(1,589,428)	385,741	(702,425)	(1,906,112)
	<u>(1,534,916)</u>	<u>519,366</u>	<u>(702,425)</u>	<u>(1,717,975)</u>

20 MAJOR NON-CASH TRANSACTIONS

During the period the company entered into four new finance lease arrangements representing 7 new and 2 second hand buses.

21 SHARE CAPITAL

	1998 £	1997 £
Authorised (Ordinary Shares of £1 each)	<u>3,000,000</u>	<u>3,000,000</u>
Allotted called up and fully paid	<u>1,437,002</u>	<u>1,437,002</u>

22 SHAREHOLDERS' FUNDS

Movements in company reserves were as follows:	Share Capital £	Profit and loss account £	Shareholders' Funds £
At 26th October 1997	1,437,002	(341,494)	1,095,508
Profit for year	—	11,271	11,271
At 31st October 1998	<u>1,437,002</u>	<u>(330,223)</u>	<u>1,106,779</u>

23 RELATED PARTY TRANSACTIONS

Ipswich Buses Limited is a wholly owned subsidiary of Ipswich Borough Council. The following Directors of Ipswich Buses Limited are members of Ipswich Borough Council:-

Martin Cook John C. Mowles Philip Smart

Concessionary Fares Income

Revenue in the period: £786,668
Receivable at 31st October 1998: £67,170

Car Park Management Expenditure

Expenditure in the period £44,774
Payable at 31st October 1998: £7,962

Debenture Loan

Balance at at 26th October 1997 and as at 31st October 1998: £252,000

Ipswich Borough Council are guarantors to the defined benefit pension scheme as mentioned in note 24.

24 PENSION COSTS

The company operates two company pension schemes, one providing benefits based on final pensionable pay, the other being a defined contribution scheme.

DEFINED BENEFIT SCHEME

The assets of this scheme are held separately from those of the company, being invested with the Suffolk County Council Superannuation Fund in accordance with the Local Government Superannuation Regulation. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employee's working lives with the company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent completed valuation was at 31st March 1998. In addition to the triennial valuation the company has annual reviews carried out and the results of these are used in preparing the accounts of the company.

The valuation has been carried out using a smoothed market method. The assumptions which have the most significant effect on the results are the following financial ones:-

1998 Valuation		
Inflation		3.40%
Rate of return expected on new investments	real	3.80%
	monetary	7.20%
Increase in general levels of pay	real	2.00%
	monetary	5.40%

A separate Superannuation No 2 Fund has been established by Suffolk County Council to hold just the assets of the company's scheme. The fund was valued by the actuary at 31st March 1998 at £6.8 million, representing 68% of the projected liabilities, after allowing for expected future increases in earnings. The deficiency should be eliminated by the year 2013 at the current employer's funding rate reflected in these accounts.

DEFINED CONTRIBUTION SCHEME

The assets of the scheme are also held separately from those of the company, being managed by an independent investment manager on behalf of the trustees. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

The total pension charge for the period to 31st October 1998 was £660,085 inclusive of the additional provisions for pension costs of £28,702 and £256,978.