

**REGISTRAR
OF COMPANIES**

**CARDIFF CITY TRANSPORT
SERVICES LIMITED**

Report and Financial Statements

31 March 2003



**Deloitte & Touche LLP
Cardiff**

REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S M Pantak (Chairman)
A Kreppel (Managing Director)
D I Brown
R I Brown
J Dixon
R Ducroq
C Gale
G Hunt
C James
D B Worsell

SECRETARY

D I Brown

REGISTERED OFFICE

Leckwith Depot and Offices
Sloper Road
Leckwith
Cardiff
CF11 8TB

SOLICITORS

Bond Pearce
Bristol Bridge House
Redcliff Street
Bristol
BS1 6BJ

AUDITORS

Deloitte & Touche LLP
Cardiff

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

ACTIVITIES

The principal activity of the group is to provide road passenger transport services.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors are satisfied with the results for the year and believe that the group will trade satisfactorily in the future.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors recommend the payment of a final dividend of £75,000 (2002 - £50,000). Retained profits of £404,000 (2002 - £369,000) have been transferred to reserves.

SUBSIDIARY COMPANY

The company holds 100% of the share capital of Vale Busline Limited.

DIRECTORS

The current membership of the Board is set out on page 1. All directors served throughout the year.

No director serving at the end of the year had any beneficial or family interests in the shares of the group (2002 - nil).

DISABLED PERSONS

The company and group has a policy of encouraging the employment of disabled persons wherever this is practicable and attempts to provide equal opportunities to disabled persons. The company and group endeavours to ensure that disabled employees benefit from training and career development programmes, in common with all employees.

EMPLOYEE INVOLVEMENT

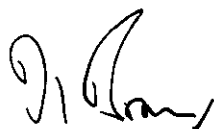
The Board proposes to maintain and increase the involvement of employees in the successful development and operation of the company and group. To this end, the company and group has appointed an Employee Director in consultation with staff representatives and the shareholder. Regular communications also take place with employee representatives and a periodic magazine is circulated.

DIRECTORS' REPORT (continued)

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



D I Brown

Secretary

Date 12/9/2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group 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; and
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.*

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CARDIFF CITY TRANSPORT SERVICES LIMITED**

We have audited the financial statements of Cardiff City Transport Services Limited for the year ended 31 March 2003 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheets, the consolidated cash flow statement and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

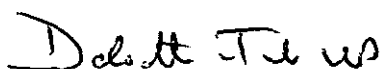
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company and the group, 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 affairs of the company and the group as at 31 March 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cardiff
Date..... 4.4.5. p. t. c. w. 10.07

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
TURNOVER: continuing operations	2		22,333		19,887
COST OF SALES	3		(21,576)		(19,941)
Gross profit/(loss)			757		(54)
Administrative expenses			(904)		(706)
Other operating income	5		724		1,313
OPERATING PROFIT: continuing operations			577		553
Profit on sale of fixed assets			167		46
Interest receivable	6	139		172	
Interest payable and similar charges	7	(182)		(191)	
			(43)		(19)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8		701		580
Tax on profit on ordinary activities	9		(222)		(161)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	20		479		419
Dividends	10		(75)		(50)
RETAINED PROFIT FOR THE YEAR			404		369

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2003

	2003 £'000	2002 £'000
Profit for the financial year	479	419
Surplus arising on revaluation of fixed assets	-	2,265
Total recognised gains and losses relating to the year	479	2,684

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 March 2003

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	701	580
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	85	-
Historical cost profit on ordinary activities before taxation	786	580
Historical cost profit for the year retained after taxation and dividends	489	369

CONSOLIDATED BALANCE SHEET
31 March 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	11		13,290		15,253
CURRENT ASSETS					
Stocks	13	283		329	
Debtors	14	1,278		1,363	
Cash at bank and in hand	15	6,492		4,703	
		<u>8,053</u>		<u>6,395</u>	
CREDITORS: amounts falling due within one year					
Trade creditors		4,182		5,731	
Other creditors including taxation and social security	16	1,000		582	
Proposed dividends	10	75		50	
		<u>(5,257)</u>		<u>(6,363)</u>	
NET CURRENT ASSETS			<u>2,796</u>		<u>32</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>16,086</u>		<u>15,285</u>
CREDITORS: amounts falling due after more than one year					
	17		(2,686)		(2,253)
PROVISIONS FOR LIABILITIES AND CHARGES					
	18		(1,225)		(1,261)
			<u>12,175</u>		<u>11,771</u>
CAPITAL AND RESERVES					
Called up share capital	19		4,618		4,618
Profit and loss account	20		5,377		4,888
Revaluation reserve	20		2,180		2,265
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>12,175</u>		<u>11,771</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

9th September 2003

S M Pantak)

)

Directors

A Kreppel)

)

BALANCE SHEET
31 March 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	11	13,290		15,253	
Investments	12	1		1	
			13,291		15,254
CURRENT ASSETS					
Stocks	13	283		329	
Debtors	14	1,278		1,363	
Cash at bank and in hand	15	6,492		4,703	
		8,053		6,395	
CREDITORS: amounts falling due within one year					
Trade creditors		4,182		5,731	
Owed to subsidiary undertaking		1		1	
Other creditors including taxation and social security	16	1,000		582	
Proposed dividends	10	75		50	
		(5,258)		(6,364)	
NET CURRENT ASSETS			2,795		31
TOTAL ASSETS LESS CURRENT LIABILITIES			16,086		15,285
CREDITORS: amounts falling due after more than one year	17		(2,686)		(2,253)
PROVISIONS FOR LIABILITIES AND CHARGES	18		(1,225)		(1,261)
			12,175		11,771
CAPITAL AND RESERVES					
Called up share capital	19		4,618		4,618
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TOTAL EQUITY SHAREHOLDERS' FUNDS			12,175		11,771

These financial statements were approved by the Board of Directors on 9th September 2003

Signed on behalf of the Board of Directors

S M Pantak)
A Kreppel) Directors

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	21		1,322		3,463
Returns on investments and servicing of finance					
Interest paid		(197)		(238)	
Interest received		146		166	
Net cash outflow from returns on investments and servicing of finance			(51)		(72)
Taxation					
Corporation tax received		12		-	
Tax received			12		-
Capital expenditure					
Payments to acquire tangible fixed assets		(251)		(3,053)	
Receipts from sales of tangible fixed assets		202		129	
Net cash outflow from capital expenditure			(49)		(2,924)
Equity dividends paid			(50)		(50)
Cash inflow before use of liquid resources and financing			1,184		417
Management of liquid resources	22		(50)		1,250
Financing	22		605		(287)
Increase in cash in the year	23		1,739		1,380
Reconciliation of net cash flow to movement in net cash					
Increase in cash in the year			1,739		1,380
Cash inflow from lease financing			574		287
Cash inflow/(outflow) from increase in liquid resources			50		(1,250)
Change in net debt resulting from cash flows			2,363		417
New finance leases			(1,179)		-
			1,184		417
Net cash at start of year			2,178		1,761
Net cash at end of year	23		3,362		2,178

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold land and buildings.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertaking.

The associate has not been accounted for using the equity method on the grounds of immateriality.

Turnover

Turnover is the amount derived from the provision of the passenger transport services falling within the company's ordinary activities after deduction of trade discounts and value added tax.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets.

Tangible fixed assets and depreciation

No depreciation is provided on freehold land. For all other tangible fixed assets, except for some midibuses, depreciation is calculated to write down their cost or revalued amount on a straight line basis over their estimated useful economic lives which are considered to be:

Freehold buildings	-	40 years
Plant and machinery, fixtures and fittings	-	5 years
Computer and related equipment	-	3 years
Conventional double deck vehicles	-	15 years
Conventional single deck and SPD/MPD vehicles	-	10 years
Second hand, ancillary and other motor vehicles	-	5 years
Other midibuses	-	Depreciation is charged on a reducing balance basis calculated to write assets down to their residual value over 5 years

The estimated useful economic lives of conventional single deck, SPD and MPD vehicles has been revised from 12 years to 10 years. The effect of this is to decrease profits by £370,000. The change in useful economic lives has been done to reflect commercial experience and hence show a true and fair view.

Depreciation is charged from the month of purchase except for vehicles which are depreciated from the month they are introduced into service.

NOTES TO THE ACCOUNTS**Year ended 31 March 2003****1. ACCOUNTING POLICIES (continued)****Investments**

Investments held as fixed assets are stated at cost less any provision for impairment.

Leased assets

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Stocks

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

Pensions

The company operates two defined benefit funded pension schemes. The assets of the schemes are held separately from those of the company, being invested in third party professionally managed funds. The expected cost of providing pensions under this scheme, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of the employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. Both these schemes are now closed to new members.

The company also has a money purchase pension scheme for new employees. Pension costs charged to the profit and loss account represent the contributions payable by the company to the pension scheme during the year.

Comparative

The comparative figures for prepayments and trade creditors have been adjusted by £320,000 in order to reflect the substance of transactions and give a true and fair view.

2. ANALYSIS OF TURNOVER AND PROFIT

The turnover and profit before taxation is considered by the directors to arise from a single class of activity wholly within the United Kingdom.

3. COST OF SALES

	2003 £'000	2002 £'000
Cost of sales comprises the following		
Exceptional reorganisation costs	-	789
Other cost of sales	21,576	19,152
	<u>21,576</u>	<u>19,941</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments	2003 £'000	2002 £'000
Emoluments	179	174
Pension contributions	19	15
	<u>198</u>	<u>189</u>

	No.	No.
Number of directors who - are members of a defined benefit pension scheme	<u>4</u>	<u>4</u>

None of the non-executive directors received any remuneration other than the reimbursement of expenses necessarily incurred in attending to the business of the company.

	£'000	£'000
Employee costs during the year		
Wages and salaries	12,471	11,842
Social security costs	791	740
Other pension costs	1,475	1,648
	<u>14,737</u>	<u>14,230</u>

Included in employee costs are £376,365 (2002 - £645,132) exceptional redundancy and pension costs.

	No.	No.
Average number of persons employed		
Staff	103	103
Traffic	523	510
Engineering	83	89
	<u>709</u>	<u>702</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

5. OTHER OPERATING INCOME

	2003 £'000	2002 £'000
Advertising	306	228
Rental income	5	5
Workshop and garage	122	113
Other	291	243
Exceptional income	-	724
	<u>724</u>	<u>1,313</u>

Exceptional other operating income of £nil (2002 - £724,000) relates to compensation in respect of de-registration of routes.

6. INTEREST RECEIVABLE

	2003 £'000	2002 £'000
Other interest	1	-
Bank deposit interest	138	172
	<u>139</u>	<u>172</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Debenture interest	54	95
Finance lease interest	128	96
	<u>182</u>	<u>191</u>

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation is arrived at after charging		
Depreciation of owned assets	1,578	995
Depreciation of assets held under finance leases	601	339
Auditors' remuneration		
- Audit fees	13	12
- Other services	8	9
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
Current taxation		
Corporation tax at 30% (2002 - 20%)	260	19
Adjustment in respect of prior years	(2)	-
	<u>258</u>	<u>19</u>
Deferred taxation		
Origination and reversal of timing differences	(36)	149
Adjustment in respect of prior years	-	(7)
	<u>222</u>	<u>161</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge of the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	£'000	£'000
Profit on ordinary activities before tax	<u>701</u>	<u>580</u>
Tax on profit on ordinary activities before tax at 30%	210	174
Factors affecting charge for the year		
Expenses not deductible for tax purposes	30	3
Capital allowances for the year in excess of depreciation	47	(196)
Movement and other differences	(11)	47
Rate differences on current tax	(16)	(9)
Adjustment in respect of prior years	(2)	-
Current tax charge for the year	<u>258</u>	<u>19</u>

10. DIVIDENDS

	2003 £'000	2002 £'000
Final proposed – 1.62 pence per share (2002 – 1.08 pence per share)	<u>75</u>	<u>50</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

11. TANGIBLE FIXED ASSETS

The group and the company	Freehold land and buildings £'000	Fixtures, fittings, plant and machinery £'000	Conventional buses and motor vehicles £'000	Midibuses £'000	Total £'000
Cost or valuation					
At 1 April 2002	4,250	2,354	11,604	6,886	25,094
Additions	-	204	47	-	251
Disposals	-	(39)	(1,394)	(103)	(1,536)
At 31 March 2003	4,250	2,519	10,257	6,783	23,809
Depreciation					
At 1 April 2002	-	1,581	6,020	2,240	9,841
Charge for the year	150	262	1,201	566	2,179
Disposals	-	(25)	(1,389)	(87)	(1,501)
At 31 March 2003	150	1,818	5,832	2,719	10,519
Net book value					
At 31 March 2003	4,100	701	4,425	4,064	13,290
At 31 March 2002	4,250	773	5,584	4,646	15,253
Comparable amounts determined according to historical cost convention:					
	£'000	£'000	£'000	£'000	£'000
Cost	2,996	2,519	10,257	6,783	22,555
Accumulated depreciation	(1,076)	(1,818)	(5,832)	(2,719)	(11,445)
Net book value					
At 31 March 2003	1,920	701	4,425	4,064	11,110
At 31 March 2002	1,985	773	5,584	4,646	12,988

Included under conventional buses and midibuses are assets with a net book value at 31 March 2003 of £2,834,783 (2002 - £2,256,198) held under finance leases.

Included in additions of conventional buses and motor vehicles are £nil (2002 - £2,894,604) of new buses which were not put into service until after the year-end and thus have not been depreciated.

The freehold land and buildings were valued at £4,250,000, based on depreciated replacement cost as at 9 September 2002, by DTZ Debenham Tie Leung, chartered surveyors. The directors consider that this valuation is consistent with the year-end valuation.

NOTES TO THE ACCOUNTS**Year ended 31 March 2003****12. INVESTMENTS**

	The company	
	2003	2002
	£'000	£'000
Subsidiary undertaking		
Cost and net book value		
Shares in subsidiary undertaking	<u>1</u>	<u>1</u>

The company's only wholly owned dormant subsidiary, Vale Busline Limited, is registered in England and Wales and its principal activity was the provision of road passenger transport services.

In addition, the company owns 180 £1 ordinary shares in PTI Cymru Limited, a company incorporated in England and Wales. This represents an 18% holding in that company. Its principal activity is the operation of a call centre for Wales giving passenger information.

13. STOCKS

	The group and the company	
	2003	2002
	£'000	£'000
Raw material and consumables	130	192
Derv	<u>153</u>	<u>137</u>
	<u>283</u>	<u>329</u>

14. DEBTORS

	The group and the company	
	2003	2002
	£'000	£'000
Loan to associated undertaking	13	13
Trade debtors	613	616
Other debtors	237	158
Prepayments	415	548
Corporation tax recoverable	<u>-</u>	<u>28</u>
	<u>1,278</u>	<u>1,363</u>

15. CASH AT BANK AND IN HAND

Cash at bank and in hand includes £1,805,246 (2002 - £1,487,070) held in an escrow account against future insured liabilities.

Cash at bank and in hand includes £3,396,000 which the directors have set aside for capital commitments (see note 24).

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

16. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	The group and the company	
	2003	2002
	£'000	£'000
Corporation tax	261	19
Other taxation and social security	295	291
Obligations under finance leases	444	272
	<u>1,000</u>	<u>582</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The group and the company	
	2003	2002
	£'000	£'000
Debenture loan	1,000	1,000
Obligations under finance leases	1,686	1,253
	<u>2,686</u>	<u>2,253</u>
	£'000	£'000
Analysis of loan repayments		
Due within one year	-	-
Due after five years	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

Under the terms of the transfer scheme a debenture loan was issued on 26 October 1986. The debenture loan was secured on the company's freehold land and buildings with interest at 12% and was repayable on 26 October 2001. A deed to vary the debenture has postponed the repayment date until 26 October 2016 with a variable rate of interest.

	£'000	£'000
Analysis of finance lease repayments		
Due within one year	444	272
Due between one and two years	462	283
Due between two and five years	1,215	849
Due after five years	9	121
	<u>2,130</u>	<u>1,525</u>

The obligations under finance leases are secured by the related leased assets.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 April 2002 £'000	Charged to profit and loss account £'000	Applied £'000	Balance at 31 March 2003 £'000
Deferred taxation	1,261	(36)	-	1,225

Analysis of the deferred taxation balance is as follows:

	2003 £'000	2002 £'000
Capital allowances in excess of depreciation	1,224	1,267
Other timing differences	1	(6)
	<u>1,225</u>	<u>1,261</u>

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £654,000 (2002 - £680,000).

19. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
6,000,000 ordinary shares of £1	<u>6,000</u>	<u>6,000</u>
Allotted and fully paid		
4,618,100 ordinary shares of £1	<u>4,618</u>	<u>4,618</u>

20. COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

The group and the company	Issued share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total 2003 £'000	Total 2002 £'000
At beginning of the year	4,618	2,265	4,888	11,771	9,137
Profit for the year	-	-	479	479	419
Transfer of additional depreciation on residual asset	-	(85)	85	-	-
Dividends	-	-	(75)	(75)	(50)
Revaluation	-	-	-	-	2,265
At end of the year	<u>4,618</u>	<u>2,180</u>	<u>5,377</u>	<u>12,175</u>	<u>11,771</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

21. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Operating profit	577	553
Depreciation	2,179	1,334
Decrease in stocks	46	32
Decrease/(increase) in debtors	49	(351)
(Decrease)/increase in creditors	(1,529)	1,895
Net cash inflow from operating activities	1,322	3,463

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2003 £'000	2002 £'000
Management of liquid resources		
Cash placed on short-term deposit	(50)	1,250
Financing		
Capital element of finance lease rental payments	(574)	(287)
New finance leases	1,179	-
Net cash inflow/(outflow) from financing	605	(287)

23. ANALYSIS OF NET CASH

	At 1 April 2002 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2003 £'000
Cash at bank and in hand	4,703	1,739	-	6,442
Cash at bank accessible between one and seven days	-	50	-	50
Debenture loan	(1,000)	-	-	(1,000)
Finance leases	(1,525)	(605)	-	(2,130)
Total	2,178	1,184	-	3,362

24. CAPITAL COMMITMENTS

	2003 £'000	2002 £'000
Contracted for but not provided	3,396	-

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**25. RELATED PARTY TRANSACTIONS**

The debenture loan of £1,000,000 (see note 17) is owed to Cardiff County Council, the company's shareholder.

Interest of £54,000 (2002 - £95,000) was paid on the loan during the year.

During the year ended 31 March 2001, the company granted a loan of £25,000 to PTI Cymru Limited, an associated undertaking. At 31 March 2003, £13,000 (2002 - £13,000) was outstanding.

During the year, the group received £100,750 (2002 - £83,403) from PTI Cymru Limited for the provision of a call centre in Cardiff and in turn were charged £43,235 (2002 - £40,607) in respect of calls handled. At 31 March 2003, there was a balance of £43,620 (2002 - £34,414) due from PTI Cymru Limited.

26. PENSIONS**a) SSAP 24 Disclosures**

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations. Since 1 August 2001, the Cardiff City Transport Services Limited Pension Scheme has been closed to new members and a money purchase scheme has been introduced.

The most recently completed valuation of the Cardiff City Transport Services Limited Pension Scheme was carried out as at 1 November 2000. For the purposes of the valuation, it was assumed that the investment return, for liabilities before retirement, would be 3% per annum higher than the rate of annual wage and salary increase and 4.5% per annum higher than the future rate of inflation. The investment return for liabilities after retirement was assumed to be 2.5% higher than the future rate of inflation.

The valuation showed that the market value of the scheme's assets, net of members' AVCs, was £5.7m and that the actuarial value of those assets represented 90% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions. The basic rate of company contributions required to meet the cost of benefits accruing after the valuation date was found to be 11.5% of members' pensionable pay, whilst the employees' contributions were required at the rate of 4% of pensionable pay (although, from 1 January 2002, members were given the option of increasing their contribution rate to 5% of pensionable pay in return for retaining the existing flexible retirement age). The charge to the profit and loss account for 2003 was £914,000 (2002 - £708,000). An appropriate valuation update was carried out as at 31 March 2003 for SSAP 24 purposes. This revealed an increased basic rate of company contributions of 11.5% of pensionable pay and an additional cost of 4.5% of pensionable pay in respect of funding the deficit based on this information.

The company also contributes to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City Council Transport Department. The latest complete valuation of this scheme was made as at 31 March 2001 and advice regarding the contribution rate for employers participating in the fund was based on the following financial assumptions. It was assumed that the investment return, for liabilities before retirement, would be 2.5% - 2.75% per annum higher than the rate of annual wage and salary increases and 4% - 4.25% per annum higher than the future rate of inflation. The investment return for liabilities after retirement was assumed to be 3% - 3.25% higher than the future rate of inflation.

The valuation showed that the notional market value of the scheme's share of the assets was £13,500,000 and that the actuarial value of those assets represented 88% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions. The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will increase from 318% of members' contributions to 370% of members' contributions from 1 April 2002.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

26. PENSIONS (continued)

The scheme is now closed to the company's employees, and the company's condition of continued participation is to pay contributions as required. In view of the nature of the scheme and the fact that the company has no discretion as to contributions paid nor over the funding plan, it is considered appropriate that the pension cost is set equal to the contributions paid.

This produces a pension cost for the year ended 31 March 2003 of £493,000 (2002 - £929,000), being 370% (2002 - 318%) of the members' contributions in respect of employees covered under the Cardiff and Vale of Glamorgan Pension Fund.

The total pension contribution charged to the profit and loss account in the year was £1,475,000 (2002 - £1,648,000). Of this amount, £64,000 (2002 - £11,000) relates to the defined contribution pension scheme.

b) FRS 17 Disclosures

Disclosures required under the transitional provisions of FRS 17 are set out below for both defined benefit pension schemes operated by the company.

An approximate actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 March 2003	At 31 March 2002
Rate of increase in salaries	4.0% per annum	4.0% per annum
Discount rate	5.5% per annum	6.0% per annum
Inflation assumption	2.5% per annum	2.5% per annum

The assets in the fund and expected rates of return were:

	2003		2002	
	Long-term expected return on assets	Fair value £'000	Long-term expected return on assets	Fair value £'000
Equities	7.5% pa	3,590	7.5% pa	5,200
Bonds	4.5% pa	1,550	5.5% pa	600
Property	6.0% pa	80	6.0% pa	100
Cash	4.0% pa	380	3.5% pa	100
		<u>5,600</u>		<u>6,000</u>

The net pension liability measured under FRS 17 comprised the following:

	At 31 March 2003 £'000	At 31 March 2002 £'000
Total market value of assets	5,600	6,000
Present value of scheme liabilities	<u>(10,200)</u>	<u>(8,000)</u>
Shortfall - net pension liability	(4,600)	(2,000)
Related deferred tax asset	<u>1,380</u>	<u>600</u>
Net FRS 17 scheme deficit	<u>(3,220)</u>	<u>(1,400)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

26. PENSIONS (continued)

	£'000
Analysis of amount charged to operating profit:	
Current service cost	701
Past service cost	-
	<hr/>
Total operating charge	701
	<hr/>
Analysis of amount credited to other financial income	£'000
Expected return on pension scheme assets	433
Interest on pension scheme liabilities	(480)
	<hr/>
Net return	(47)
	<hr/>
Analysis of amount recognised in statement of total recognised gains and losses:	
	31 March
	2003
	£'000
Actual return less expected return on pension assets	(1,837)
Experience gains and losses arising on the scheme liabilities	-
Changes in financial assumptions underlying the scheme liabilities	(983)
	<hr/>
Actuarial loss recognised in statement of total recognised gains and losses	(2,820)
	<hr/>
	£'000
Movements in deficit during the year	
Deficit in scheme at 31 March 2002	(2,000)
Movement in year:	
Total operating charge	(701)
Contributions	968
Net return	(47)
Actuarial loss in STRGL	(2,820)
	<hr/>
Shortfall – net pension liability	(4,600)
	<hr/>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

26. PENSIONS (continued)

Cardiff Bus also participates in the Local Government Pension Scheme. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

The most recent valuation was carried out as at 31 March 2001, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2003. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

Cardiff Buses contribution rate over the accounting period was 370% of members' contributions. The contribution rates certified for Cardiff Bus at the 31 March 2001 valuation are as follows:

April 2002 to March 2003	370% of members' contributions
April 2003 to March 2004	370% of members' contributions
April 2004 to March 2005	370% of members' contributions

These figures include the past service element of the contribution rate.

The main assumptions used for the purposes of FRS 17 are as follows:

	At 31 March 2003	At 31 March 2002
Rate of increase in salaries	4.1% pa	4.3% pa
Discount rate	6.1% pa	6.3% pa
Rate of increase in pensions in payment	2.6% pa	2.8% pa
Rate of increase in deferred pensions	2.6% pa	2.8% pa
Rate of inflation	2.6% pa	2.8% pa

The assets in the fund and expected rates of return were:

	2003		2002	
	Long-term Expected Return on Assets	Fair Value £'000	Long-term Expected Return on Assets	Fair Value £'000
Equities	7.6% pa	6,140	8.2% pa	8,650
Bonds	4.6% pa	1,450	5.25% pa	1,290
Property	6.6% pa	-	7.2% pa	-
Other assets	3.1% pa	880	3.7% pa	810
		<u>8,470</u>		<u>10,750</u>

The net pension liability measured under FRS 17 comprised the following:

	At 31 March 2003 £'000	At 31 March 2002 £'000
Total market value share of assets	8,470	10,750
Present value of scheme liabilities	(14,890)	(13,850)
Shortfall – net pension liability	(6,420)	(3,100)
Related deferred tax asset	1,926	930
Net FRS 17 scheme deficit	<u>(4,494)</u>	<u>(2,170)</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

26. PENSIONS (continued)

	£'000
Analysis of amount charged to operating profit:	
Current service cost	510
Past service cost	-
	<hr/>
Total operating charge	510
	<hr/>
Analysis of amount credited to other financial income:	£'000
Expected return on pension scheme assets	830
Interest on pension scheme liabilities	(880)
	<hr/>
Net return	(50)
	<hr/>
Analysis of amount recognised in statement of total recognised gains and losses:	31 March 2003
	£'000
Actual return less expected return on pension assets	(3,400)
Experience gains and losses arising on the scheme liabilities	50
Changes in financial assumptions underlying the scheme liabilities	(10)
	<hr/>
Actuarial loss recognised in statement of total recognised gains and losses	(3,360)
	<hr/>
	£'000
Movements in deficit during the year:	
Deficit in scheme at 31 March 2002	(3,100)
Movement in year:	
Total operating charge	(510)
Contributions	600
Net return	(50)
Actuarial loss in STRGL	(3,360)
	<hr/>
Shortfall – net pension liability	(6,420)
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NOTES TO THE ACCOUNTS**Year ended 31 March 2003****26. PENSIONS (continued)**

	At 31 March 2003 £'000	At 31 March 2002 £'000
Net assets excluding pension liabilities	12,250	11,771
Net pension liability measured under FRS 17:		
Cardiff City Transport Services Limited Pension Scheme	(3,220)	(1,400)
Cardiff and Vale of Glamorgan Pension Fund	(4,494)	(2,170)
	<u>4,536</u>	<u>8,201</u>
Net assets including pension liabilities		

27. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Cardiff County Council.