

REGISTRAR

OF

COMPANIES

**CARDIFF CITY TRANSPORT
SERVICES LIMITED**

Report and Financial Statements

31 March 2001

Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff CF24 0TS



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REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

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 Rees	
D B Worsell	

SECRETARY

D I Brown

REGISTERED OFFICE

Leckwith Depot and Offices
Sloper Road
Leckwith
Cardiff
CF11 8TB

SOLICITORS

Eversheds
Fitzalan House
Fitzalan Place
Cardiff
CF24 0EE

AUDITORS

Deloitte & Touche
Chartered Accountants
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF24 0TS

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

During the year the major reorganisation continued within the company which is reflected in associated restructuring costs. Taking this into account the results of the group for its fourteenth full trading year were satisfactory.

The reorganisation will continue in 2001/02 with further restructuring costs anticipated. In the absence of unforeseen circumstances the outlook for 2001/02 is considered to be satisfactory.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors recommend the payment of a final dividend of £50,000 (2000 - £50,000). Retained profits of £333,000 (2000 - £199,000) 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.

The following appointments to and resignation from the Board have occurred since 1 April 2000.

Appointments

G Hunt 14 December 2000
R Ducroq 25 July 2000

Resignation

P Mitchell 28 November 2000

No director serving at the end of the year had any beneficial or family interest in the shares of the group (2000 - 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.

DIRECTORS' REPORT (continued)

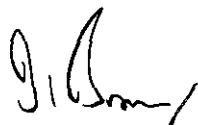
EMPLOYEE INVOLVEMENT

The Board propose 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.

AUDITORS

Deloitte & Touche have expressed their willingness to continue as auditors and a resolution to reappoint them 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... 1/11/01

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements on pages 6 to 20 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 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 affairs of the company and the group as at 31 March 2001 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

Chartered Accountants and Registered Auditors

Date 15 March 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2001

	Note	<u>2001</u>		<u>2000</u>	
		£'000	£'000	£'000	£'000
TURNOVER: continuing operations	2		19,912		19,483
COST OF SALES					
Exceptional reorganisation costs	3	256		436	
Other cost of sales		<u>19,040</u>		<u>18,942</u>	
			(19,296)		(19,378)
GROSS PROFIT			616		105
Administrative expenses:					
Exceptional reorganisation costs		(85)		-	
Other administrative expenses		<u>(571)</u>		<u>(543)</u>	
			(656)		(543)
Other operating income	4		<u>614</u>		<u>736</u>
OPERATING PROFIT: continuing operations			574		298
Interest receivable	5	217		197	
Interest payable and similar charges	6	<u>(215)</u>		<u>(196)</u>	
			2		1
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7		576		299
Tax on profit on ordinary activities	8		<u>(193)</u>		<u>(50)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			383		249
Dividends	9		<u>(50)</u>		<u>(50)</u>
RETAINED PROFIT FOR THE YEAR	19		<u>333</u>		<u>199</u>

There are no recognised gains or losses for the current financial year and preceding financial year other than as stated in the profit and loss account.

CONSOLIDATED BALANCE SHEET
31 March 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible assets	10	11,352	9,030
CURRENT ASSETS			
Stocks	12	361	354
Debtors	13	1,003	1,051
Current asset investments		1,250	1,000
Cash at bank and in hand	14	3,323	2,661
		<u>5,937</u>	<u>5,066</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade creditors		3,933	1,901
Other creditors including taxation and social security	15	1,528	445
Proposed dividend	9	50	50
		<u>5,511</u>	<u>2,396</u>
NET CURRENT ASSETS		<u>426</u>	<u>2,670</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,778	11,700
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(1,525)	(1,998)
PROVISIONS FOR LIABILITIES AND CHARGES	17	<u>(1,116)</u>	<u>(898)</u>
		<u>9,137</u>	<u>8,804</u>
CAPITAL AND RESERVES			
Called up share capital	18	4,618	4,618
Profit and loss account	19	4,519	4,186
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>9,137</u>	<u>8,804</u>

These financial statements were approved by the Board of Directors on 24th July 2001
 Signed on behalf of the Board of Directors

S M Pantak)

) Directors

A Kreppel)

BALANCE SHEET
31 March 2001

	Note	2001	2000
		£'000	£'000
FIXED ASSETS			
Tangible assets	10	11,352	9,030
Investments	11	1	1
		11,353	9,031
CURRENT ASSETS			
Stocks	12	361	354
Debtors	13	1,003	1,051
Current asset investment		1,250	1,000
Cash at bank and in hand	14	3,323	2,661
		5,937	5,066
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade creditors		3,933	1,901
Owed to subsidiary undertaking		1	1
Other creditors including taxation and social security	15	1,528	445
Proposed dividend	9	50	50
		5,512	2,397
NET CURRENT ASSETS		425	2,669
TOTAL ASSETS LESS CURRENT LIABILITIES		11,778	11,700
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(1,525)	(1,998)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(1,116)	(898)
		9,137	8,804
CAPITAL AND RESERVES			
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S M Pantak)

Directors

A Kreppel)

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2001

	Note	2001	2000
		£'000	£'000
Cash inflow from operating activity	20	3,835	1,197
Returns on investments and servicing of finance			
Interest paid		(199)	(188)
Interest received		218	199
Net cash inflow for returns on investments and servicing of finance		19	11
Taxation			
Corporation tax (paid)/repaid		(62)	64
Tax (paid)/repaid		(62)	64
Capital expenditure			
Payments to acquire tangible fixed assets		(3,978)	(1,154)
Receipts from sales of tangible fixed assets		1,427	253
Net cash outflow from capital expenditure		(2,551)	(901)
Equity dividends paid		(50)	(50)
Cash inflow before use of liquid resources and financing		1,191	321
Management of liquid resources	21	(250)	1,000
Financing	21	(279)	(366)
Increase in cash in the year	22	662	955
Reconciliation of net cash flow to movement in net cash and debt			
Increase in cash in the year		662	955
Cash outflow from lease financing		279	366
Cash outflow/(inflow) from increase in liquid resources		250	(1,000)
Change in net debt resulting from cash flows		1,191	321
New finance leases		(936)	(370)
		255	(49)
Net cash and debt at start of year		1,506	1,555
Net cash and debt at end of year	22	1,761	1,506

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****1. ACCOUNTING POLICIES**

These 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.

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 at the anticipated tax rates on differences arising 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 to the extent that it is probable that a liability or asset will crystallise in the future.

Tangible fixed assets and depreciation

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

Freehold buildings	-	40 years
Conventional single and double deck vehicles	-	5 to 15 years
Plant and machinery, fixtures and fittings	-	5 to 10 years
Computer and related equipment	-	3 years
Motor vehicles	-	4 years
Midibuses	-	Depreciation is charged on a reducing balance basis calculated to write the assets down to their residual value over 5 years

Depreciation is charged from the month of purchase.

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

Stock is stated at the lower of cost and net realisable value.

NOTES TO THE ACCOUNTS
Year ended 31 March 2001**1. ACCOUNTING POLICIES (continued)****Current asset investments**

Current asset investments comprise cash deposits which mature between seven days and one year from the date of deposit.

Pensions

For company schemes, the expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over employees' service lives.

In respect of employees who are members of the Cardiff and Vale of Glamorgan Pension Fund, cost is charged on an as funded basis.

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. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**Directors' emoluments:**

	2001	2000
	£'000	£'000
Emoluments	153	167
Compensation for loss of office	-	23
Pension contributions	17	16
	<u>170</u>	<u>206</u>

Number of directors who:

	No.	No.
- are members of a defined benefit pension scheme	3	3
- are members of money purchase schemes	-	-

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.

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

	2001	2000
	£'000	£'000
Employee costs during the year		
Wages and salaries	11,690	11,595
Social security costs	744	756
Other pension costs	962	1,140
	<u>13,396</u>	<u>13,491</u>

Included in employee costs are £256,000 (2000 - £436,000) exceptional redundancy costs.

	No.	No.
Average number of persons employed		
Staff	114	101
Traffic	493	511
Engineering	100	128
	<u>707</u>	<u>740</u>

4. OTHER OPERATING INCOME

	2001	2000
	£'000	£'000
Advertising	220	264
Rental income	5	5
Workshop and garage	114	129
Other	275	338
	<u>614</u>	<u>736</u>

5. INTEREST RECEIVABLE

	2001	2000
	£'000	£'000
Other interest	-	8
Bank deposit interest	217	189
	<u>217</u>	<u>197</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£'000	£'000
Debenture interest	120	120
Finance lease interest	95	76
	<u>215</u>	<u>196</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is arrived after charging		
Depreciation of owned assets	916	1,053
Depreciation of assets held under finance leases	329	267
Auditors' remuneration		
- Audit fees	11	9
- Other services	12	18
	<u> </u>	<u> </u>
And after crediting exceptional items		
Profit on sale of tangible fixed assets	80	224
	<u> </u>	<u> </u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
Taxation charge comprises:		
Corporation tax (2000 - 21%)	-	62
Deferred taxation	218	13
Adjustment in respect of prior years	3	(25)
Corporation tax recoverable	(28)	-
	<u> </u>	<u> </u>
	193	50
	<u> </u>	<u> </u>

9. DIVIDENDS

	2001 £'000	2000 £'000
On 4,618,100 (2000 - 4,618,100) £1 ordinary shares:		
Final proposed - £1.08 pence per share (2000 - £1.08 pence per share)	50	50
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

10. TANGIBLE 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					
At 1 April 2000	2,996	2,332	10,886	4,643	20,857
Additions	-	496	2,488	1,930	4,914
Disposals	-	(587)	(2,655)	(825)	(4,067)
At 31 March 2001	2,996	2,241	10,719	5,748	21,704
Depreciation					
At 1 April 2000	880	1,824	6,312	2,811	11,827
Charge for year	65	155	673	352	1,245
Disposals	-	(582)	(1,390)	(748)	(2,720)
At 31 March 2001	945	1,397	5,595	2,415	10,352
Net book value					
At 31 March 2001	2,051	844	5,124	3,333	11,352
At 31 March 2000	2,116	508	4,574	1,832	9,030

Included under conventional buses and midibuses are assets with a net book value at 31 March 2001 of £2,595,341 (2000 - £1,988,838) held under finance leases.

Included in additions of conventional buses and motor vehicles are £1,446,000 of new buses which were not put into service until after the year end and thus have not been depreciated.

11. INVESTMENTS

	The company	
Subsidiary undertaking	2001 £'000	2000 £'000
Cost and net book value		
Shares in subsidiary undertaking	1	1

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.

	The group and company	
Associated undertaking	2001 £'000	2000 £'000
Cost and net book value		
Additions in year	-	-
At 31 March	-	-

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

11. INVESTMENTS (continued)

During the year ended 31 March 2000 the company purchased 180 £1 ordinary shares in PTI Cymru Limited, a company incorporated on 24 August 2000 in England and Wales. Its principal activity is the operation of a call centre for Wales giving passenger information. At 31 March 2001 the company's shareholding represented 25% of the issued share capital of this company. At 31 March 2001 PTI Cymru Limited had net liabilities of £93,100 (2000 - £24,660) and a loss for the period of £68,440 (2000 - £25,380).

12. STOCKS

	The group and the company	
	2001 £'000	2000 £'000
Raw material and consumables	215	264
Derv	146	90
	<u>361</u>	<u>354</u>

13. DEBTORS

	The group and the company	
	2001 £'000	2000 £'000
Loan to associated undertaking	25	25
Trade debtors	460	482
Other debtors	184	217
Prepayments	309	327
Corporation tax recoverable	25	-
	<u>1,003</u>	<u>1,051</u>

14. CASH AT BANK AND IN HAND

Cash at bank and in hand includes £1,140,753 (2000 - £965,051) held in an escrow account against future insured liabilities.

15. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	The group and the company	
	2001 £'000	2000 £'000
Corporation tax	-	62
Other taxation and social security	241	226
Obligations under finance leases	287	157
Debenture loan	1,000	-
	<u>1,528</u>	<u>445</u>

Under the terms of the transfer scheme a debenture loan was issued on 26 October 1986. The debenture loan is secured on the company's freehold land and buildings with interest at 12% and is repayable on 26 October 2001.

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

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

	The group and the company	
	2001	2000
	£'000	£'000
Debenture loan	-	1,000
Obligations under finance leases	1,525	998
	<u>1,525</u>	<u>1,998</u>
	2001	2000
	£'000	£'000
Analysis of loan repayments		
Due within one year	1,000	-
Due between one and two years	-	1,000
Due between two and five years	-	-
Due after five years	-	-
	<u>1,000</u>	<u>1,000</u>
	2001	2000
	£'000	£'000
Analysis of finance lease repayments		
Due within one year	287	157
Due between one and two years	272	161
Due between two and five years	882	452
Due after five years	371	385
	<u>1,812</u>	<u>1,155</u>

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

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 April 2000 £'000	Charged to profit and loss account £'000	Applied £'000	Balance at 31 March 2001 £'000
Deferred taxation	898	218	-	1,116

The amounts of deferred taxation provided and unprovided in the financial statements are:

	2001 £'000	Provided 2000 £'000	2001 £'000	Unprovided 2000 £'000
Capital allowances in excess of depreciation	1,075	914	-	-
Other timing differences	41	(16)	-	-
	<u>1,116</u>	<u>898</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****18. CALLED UP SHARE CAPITAL**

	2001 £'000	2000 £'000
Authorised		
6,000,000 ordinary shares of £1	6,000	6,000
Allotted and fully paid		
4,618,100 ordinary shares of £1	4,618	4,618

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

	Issued share capital £'000	Profit and loss account £'000	Total 2001 £'000	Total 2000 £'000
The group and the company				
At beginning of the year	4,618	4,186	8,804	8,605
Profit attributable to members of the company	-	383	383	249
Dividends	-	(50)	(50)	(50)
At end of the year	4,618	4,519	9,137	8,804

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

	2001 £'000	2000 £'000
Operating profit	574	298
Depreciation	1,245	1,320
Profit on sale of tangible fixed assets	(80)	(224)
(Increase)/decrease in stock	(7)	58
Decrease/(increase) in debtors	72	(215)
Increase/(decrease) in creditors	2,031	(40)
	3,835	1,197

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

	2001 £'000	2000 £'000
Management of liquid resources		
Cash placed on short term deposit	(250)	1,000
Financing		
Capital element of finance lease rental payments	(279)	(341)
New loans issued	-	(25)
Net cash outflow from financing	(279)	(366)

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****22. ANALYSIS OF NET CASH AND DEBT**

	At 1 April 2000 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2001 £'000
Cash at bank and in hand	2,661	662	-	3,323
Debenture loan	(1,000)	-	-	(1,000)
Finance leases	(1,155)	279	(936)	(1,812)
Current asset investments	1,000	250	-	1,250
Total	<u>1,506</u>	<u>1,191</u>	<u>(936)</u>	<u>1,761</u>

23. CAPITAL COMMITMENTS

	2001 £'000	2000 £'000
Contracted for but not provided	<u>460</u>	<u>2,810</u>

24. RELATED PARTY TRANSACTIONS

The debenture loan of £1,000,000 (see note 15) is owed to Cardiff City Council, the company's main shareholder.

Interest of £120,000 (2000 - £120,000) was paid on the loan during the year.

During the year ended 31 March 2000 the company granted a loan of £25,000 to PTI Cymru Limited, an associated undertaking. At 31 March 2001 £25,000 was outstanding.

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****25. PENSIONS**

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.

The most recently completed valuation of the Cardiff City Transport Services Limited Pension Scheme was carried out as at 31 December 1997. For the purposes of the valuation it was assumed that the investment return would be 2.7% per annum higher than the rate of annual wage and salary increase, 4.25% per annum higher than the future rate of inflation and 3.7% per annum higher than the assumed long term rate of growth in dividends from existing assets.

The valuation showed that the market value of the scheme's assets, net of members' AVCs, was £3,157,569 and that the actuarial value of those assets represented 97% of the value of the benefits that has 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 benefit accruing after the valuation date was found to be 7.5% of members' pensionable pay, whilst the employees' contributions are at the rate of 4% of pensionable pay. The charge to the profit and loss account for 2001 was £462,000 (2000 - £433,000) which, at 7.9% of pensionable pay, includes the 7.5% underlying contribution rate, 0.25% in respect of funding the deficit and 0.15% representing the SSAP 24 adjustment.

A more recent valuation has been conducted and is in the process of being finalised. It reveals a deficit of £600,000 which will be financed by additional employer contributions of 2% over 5 years starting in April 2001. It also reveals a need for a further 2% increase in contributions on an ongoing basis. Discussions are taking place with staff representatives as to how this additional ongoing cost should be met, and options for controlling future volatility are being considered. The Cardiff City Transport Services Limited Pension Scheme has been closed to new members from 1 August 2001 and a money purchase scheme has been introduced.

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 1999 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 would be 2.25% per annum higher than the rate of annual wage and salary increase, 4% per annum higher than the future rate of inflation and 3% per annum higher than the rate of assumed growth in dividends from existing assets.

The valuation showed that the notional market value of the scheme's share of the assets was £9,180,000 and that the actuarial value of those assets represented 93% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increase 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 278% of members' contributions to 315% of members' contributions, for a period of nine years to meet the notional deficiency of £630,000 disclosed by the valuation and thereafter revert to 275% of members' contributions being the cost of the year by year accumulation of benefit. This change is however being phased in over a period of two years from 1 April 2000 by means of annual increments in contribution of 20% of members' contributions. Thus as from 1 April 2000 the company's contribution rate will be 318% of members' contributions.

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 2001 of £500,000 (2000 - £531,000) being 319% (2000 - 298%) of the members' contributions in respect of employees covered under the Cardiff and Vale of Glamorgan Pension Fund.

NOTES TO THE ACCOUNTS
Year ended 31 March 2001

25. PENSIONS (continued)

The total pension contributions charged to the profit and loss account in the year was £962,000 (2000 - £963,000).

As a result of the ongoing restructuring process the company has accrued additional pension liabilities which, in accordance with the rules of the scheme, it is proposing to finance by adjustment to the contribution rate over five years.

26. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Cardiff City Council.