

Plymouth Citybus Limited

Annual report for the year ended 31 March 1996

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Directors and advisers

Directors

R S Simmonds (Chairman)
J L Mills (resigned June 1995)
B L Fisher
J A L Ackroyd
B Vincent
C A Webster
J L Blower (resigned June 1995)
D A Millar
J A Coyle
P N Coyle
P J Nicholson (resigned June 1995)
G Bilroy (appointed June 1995)
D Roche (appointed June 1995)
G W Wheeler (appointed June 1995)

Secretary and registered office

J A L Ackroyd
Milehouse
Plymouth
PL3 4AA

Registered Auditors

Coopers & Lybrand
Midland House
Notte Street
Plymouth
PL1 2EJ

Bankers

National Westminster Bank plc
St Andrew's Cross
Plymouth
PL4 0AE

**Directors' report
for the year ended 31 March 1996**

The directors present their report and the audited financial statements for the year ended 31 March 1996.

Principal activities

The profit and loss account for the year is set out on page 6.

The principal activities of the company are the operation of buses, primarily in Plymouth, and coaches throughout Great Britain.

Review of business

The directors are disappointed at the level of business and year end financial position. The Company's significant increase in the level of bus services provided in the City has not been matched by increased numbers of passengers travelling.

The directors are implementing measures to improve the financial performance of the Company, but these will not be effective until year ended 31 March 1998.

Dividends and transfers to reserves

The directors have paid an ordinary dividend of £500,000 (1995: £275,000) in respect of the year ended 31 March 1996. The retained loss for the year of £70,000 has been debited to reserves.

Directors

The directors of the company during the year ended 31 March 1996, all of whom have been directors for the whole of the year ended on that date, except where noted, are listed on page 1.

Directors' interests

The directors of the company at 31 March 1996 did not hold any interests in the shares of the company at any time during the year.

Changes in tangible fixed assets

The movements in tangible fixed assets during the year are set out in note 9 to the financial statements. In the opinion of the directors, the market value of the land, if sold for development, is several times greater than the value shown in the accounts.

Share capital

All the ordinary shares in the company are held by or on behalf of Plymouth City Council.

Political and charitable contributions

Charitable donations during the year amounted to £795 (1996: £272).

Employees

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings matters likely to affect employees' interests. By appointing an employee director, the company actively encourages participation at board level.

Information on matters of concern to employees is given through information bulletins and reports to achieve a common awareness of the financial and economic factors affecting the company's performance.

It is the policy of the Company that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Arrangements are made, wherever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes and abilities.

Close company provisions

The company is not a close company defined by the provisions of the Income and Corporation Taxes Act 1988, as amended.

Insurance of directors

The company maintains insurance for the directors in respect of their duties as directors of the company.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



J Ackroyd
Secretary

6 September 1996

Report of the auditors to the members of Plymouth Citybus Limited

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of directors and auditors

As described on page 3 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.

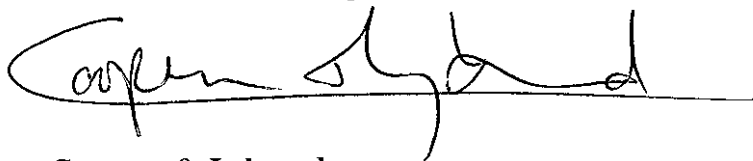
Basis of opinion

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 affairs of the company at 31 March 1996 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors

Plymouth

11 September 1996

**Profit and loss account
for the year ended 31 March 1996**

	Notes	1996 £'000	1995 £'000
Turnover	2	10,681	10,372
Cost of sales		9,359	8,452
		<hr/>	<hr/>
Gross profit		1,322	1,920
Administrative expenses		555	556
		<hr/>	<hr/>
Operating profit	3	767	1,364
Bank interest receivable		157	114
Interest payable and similar charges	6	280	271
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	644	1,207
Tax on profit on ordinary activities	7	214	373
		<hr/>	<hr/>
Profit on ordinary activities after taxation		430	834
Dividends	8	500	275
		<hr/>	<hr/>
Retained (loss)/profit for the year		(70)	559
		<hr/>	<hr/>
Statement of reserves			
Balance at 1 April 1995		2,442	1,883
(Loss)/profit for the year		(70)	559
		<hr/>	<hr/>
Retained profit at 31 March 1996		2,372	2,442
		<hr/>	<hr/>

All the above figures, including comparatives, relate to continuing activities.

The company has no recognised gains and losses other than the profits and losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

**Balance sheet
at 31 March 1996**

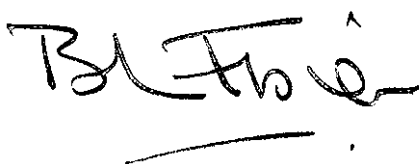
	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	9	6,305	6,481
Investments	10	1	1
		<u>6,306</u>	<u>6,482</u>
Current assets			
Stocks	11	119	152
Debtors	12	744	837
Cash at bank and in hand		1,435	2,032
		<u>2,298</u>	<u>3,021</u>
Creditors: amounts falling due within one year	13	1,938	2,412
		<u>360</u>	<u>609</u>
Net current assets			
		<u>6,666</u>	<u>7,091</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	14	2,693	2,927
Provisions for liabilities and charges	15	311	432
		<u>3,004</u>	<u>3,359</u>
Net assets		<u>3,662</u>	<u>3,732</u>
Capital and reserves			
Called up share capital	18	1,290	1,290
Profit and loss account		2,372	2,442
		<u>3,662</u>	<u>3,732</u>
Equity shareholders' funds	19		
		<u>3,662</u>	<u>3,732</u>

The financial statements on pages 6 to 20 were approved by the board of directors on 6 September 1996 and were signed on its behalf by:

J Ackroyd



B L Fisher
Directors



**Cash flow statement
for the year ended 31 March 1996**

	Notes	1996 £'000	1995 £'000
Net cash inflow from operating activities	20	<u>1,784</u>	<u>1,767</u>
Returns on investments and servicing of finance			
Interest received		173	99
Interest paid		(128)	-
Interest paid on finance leases		(163)	(161)
Dividends paid		<u>(775)</u>	<u>(250)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(893)</u>	<u>(312)</u>
Taxation			
UK Corporation tax paid		<u>(509)</u>	<u>(151)</u>
Investing activities			
Purchase of tangible fixed assets		(292)	(416)
Purchase of fixed asset investments		-	-
Sale of tangible fixed assets		<u>123</u>	<u>87</u>
Net cash (outflow) from investing activities		<u>(169)</u>	<u>(329)</u>
Net cash inflow before financing		<u>213</u>	<u>975</u>
Financing			
Repayment of loan		(71)	-
Payment of principal under finance leases		<u>(739)</u>	<u>(603)</u>
Net cash outflow from financing		<u>(810)</u>	<u>(603)</u>
(Decrease)/Increase in cash and cash equivalents	21	<u><u>(597)</u></u>	<u><u>372</u></u>

Notes to the financial statements for the year ended 31 March 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2.0
Plant and machinery	20.0
Double deck buses	6.7
Single deck buses	10.0
Minibuses	16.7
Other motor vehicles	20.0

Freehold land is not depreciated.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on an average price basis. Provision is made where necessary for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme. Payments due to the funds are charged in these accounts as part of employment costs.

Investments

Investments are stated at cost.

2 Turnover and profit on ordinary activities before taxation

	Turnover		Profit on ordinary activities before taxation	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Bus and coach operations	9,581	9,430	422	1,103
Other	1,100	942	222	104
	<u>10,681</u>	<u>10,372</u>	<u>644</u>	<u>1,207</u>

All turnover is derived from operations in the United Kingdom.

3 Operating profit

Operating profit is stated after charging/(crediting):

	1996 £'000	1995 £'000
Auditors' remuneration		
- audit	16	16
- other services	12	14
Profit on disposal of fixed assets	(90)	(77)
Rent receivable	(18)	(17)
Operating lease rentals:		
Vehicles	29	79
Plant and machinery	22	23
Depreciation of owned tangible fixed assets	390	373
Depreciation of tangible fixed assets held under finance leases	659	518
Finance lease interest	163	147
Rates rebate	-	(168)
Directors' emoluments (see note 4), including pension contributions, for management services	126	128
	<u> </u>	<u> </u>

4 Directors' emoluments

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The chairman	-	-
	<u> </u>	<u> </u>
The highest-paid director	48,205	48,775
	<u> </u>	<u> </u>

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£ 0 to £ 5,000	11	11
£30,001 to £35,000	1	1
£35,001 to £40,000	1	1
£45,001 to £50,000	1	1
	<u> </u>	<u> </u>

5 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	1996 Number	1995 Number
Bus operations and other activities	412	395
Administration	47	47
	<u>459</u>	<u>442</u>
	<u>459</u>	<u>442</u>
	1996	1995
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	5,429	5,055
Social security costs	447	403
Other pension costs (see note 17)	247	242
	<u>6,123</u>	<u>5,700</u>
	<u>6,123</u>	<u>5,700</u>

6 Interest payable and similar charges

	1996 £'000	1995 £'000
On debenture loans (see note 14)		
Repayable within five years	8	13
Repayable wholly or partly in more than five years	105	111
Finance lease and hire purchase interest	163	147
Other	4	-
	<u>280</u>	<u>271</u>
	<u>280</u>	<u>271</u>

7 Tax on profit on ordinary activities

	1996 £'000	1995 £'000
United Kingdom corporation tax at 33% (1995: 33%):		
Current	195	380
Deferred	21	75
(Over) provision in respect of prior year	(2)	(82)
	<u>214</u>	<u>373</u>
	<u>214</u>	<u>373</u>

8 Dividends

	1996	1995
	£'000	£'000
Ordinary:		
Final of 38.8p per share (1995: 21.3p)	500	275
	<u> </u>	<u> </u>

9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 1995	1,545	833	7,298	9,676
Additions	24	122	760	906
Disposals	-	(5)	(514)	(519)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 1996	1,569	950	7,544	10,063
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 1 April 1995	93	281	2821	3,195
Charge for year	11	166	872	1,049
Disposals	-	(4)	(483)	(487)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 1996	104	443	3,211	3,758
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 March 1996	1,465	507	4,333	6,305
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 1 April 1995	1,452	552	4,477	6,481
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The net book value of tangible fixed assets includes an amount of £2,892,178 (1995: £2,937,633) in respect of assets held under finance leases and hire purchase contracts.

10 Fixed asset investments

	1996 £'000	1995 £'000
Cost and net book value		
At 1 April 1995 and 31 March 1996	1 =	1 =

Investments at net book value include:

	1996 £'000	1995 £'000
Investment listed on a recognised investment exchange	1 =	1 =
Market value of listed investments	1 =	1 =

11 Stocks

Stocks comprise consumable items for use in the company's business.

12 Debtors

	1996 £'000	1995 £'000
Amounts falling due within one year		
Trade debtors	495	408
Other debtors	149	282
Prepayments and accrued income	100	147
	<u>744</u>	<u>837</u>

13 Creditors: amounts falling due within one year

	1996	1995
	£'000	£'000
Debenture loans (see note 14)	129	150
Obligations under finance leases (see note 14)	743	685
Trade creditors	399	371
Other taxation and social security	228	143
Corporation tax payable	97	335
Advance corporation tax	-	69
Other creditors	109	180
Pensions and similar obligations	-	7
Accruals and deferred income	233	197
Dividends payable (see note 8)	-	275
	<u>1,938</u>	<u>2,412</u>

14 Creditors: amounts falling due after more than one year

	1996	1995
	£'000	£'000
Debenture loans (see below)	1,128	1,178
Obligations under finance lease (due between two and five years)	1,558	1,741
Other creditors and accruals	7	8
	<u>2,693</u>	<u>2,927</u>

Debenture loans

An analysis of the debenture loans by due date of repayment is set out below:

	1996	1995
	£'000	£'000
Debenture loans:		
Within one year	129	150
Between one and two years	55	50
Between two and five years	128	136
In five years or more	945	992
	<u>1,257</u>	<u>1,328</u>

The debenture loans, all of which are held by Plymouth City Council, are as follows:

Initial advance	Security held
£1,000,000	Legal charge over land and buildings
£320,000	Floating charge over all assets
£134,000	Floating charge over all assets
£140,000	Floating charge over all assets

All debenture loans have interest charged at 0.25% above the consolidated loans fund rate.

15 Provisions for liabilities and charges

	Deferred taxation (see note 16) £'000	Provision for Omnibus Insurance £'000	Total £'000
At 1 April 1995	232	200	432
Provision in year	20	187	207
Release of advance corporation tax recoverable	69	-	69
Payments made during year	-	(320)	(320)
	<u>321</u>	<u>67</u>	<u>388</u>
Less: advance corporation tax recoverable	(77)	-	(77)
At 31 March 1996	<u>244</u>	<u>67</u>	<u>311</u>

16 Deferred taxation

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability are as follows:

	Amount provided		Amount unprovided	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Accelerated capital allowances	374	349	-	-
Short term timing differences	(53)	(48)	-	-
	<u>321</u>	<u>301</u>	<u>-</u>	<u>-</u>
Less: advance corporation tax recoverable	(77)	(69)	-	-
	<u>244</u>	<u>232</u>	<u>-</u>	<u>-</u>

17 Pension and similar obligations

The Local Government Superannuation Scheme

This is a defined benefit partially funded scheme which is valued every three years by a professionally qualified independent actuary. The most recent actuarial valuation was completed as at 31 March 1995. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rate of general pay increases and pensions. It was assumed that the investment return would be 9% per annum, that pay increases would average 6.5% per annum and that the rate of increase to pensions would be 4.5% per annum.

At the latest actuarial valuation, the market value of the Fund's assets was £645.9 million and was sufficient to cover 79% of the Fund's liabilities, after allowing for future pay rises.

This was considered inadequate to satisfy the defined benefits of the scheme. The actuaries have recommended an increase to the annual contributions of £115,000 for the next 12 years.

'Plymouth Citybus pension scheme'

This is a defined contribution pension scheme.

The total pension cost for the company in respect of both schemes was £247,000 (1995: £242,000).

An amount of £6,496 (1995 creditor: £7,000) is included in debtors which represents the net amount contributed in advance to the pension scheme at the year end.

18 Called up share capital

	1996 £	1995 £
Authorised		
1,300,000 ordinary shares of £1 each	<u>1,300,000</u>	<u>1,300,000</u>
Allotted, called up and fully paid		
1,290,100 ordinary shares of £1 each	<u>1,290,100</u>	<u>1,290,100</u>

19 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Opening shareholders' funds	3,732	3,173
Retained (loss)/profit for the financial year	<u>(70)</u>	<u>559</u>
Closing shareholders' funds	<u>3,662</u>	<u>3,732</u>

20 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £'000	1995 £'000
Operating profit	767	1,364
Depreciation on tangible fixed assets	1,049	891
Gain on sale of tangible fixed assets	(90)	(77)
(Increase)/Decrease in stocks	33	(16)
(Increase) in trade debtors	(87)	(44)
Decrease/(increase) in other debtors	133	(122)
Decrease/(Increase) in prepayments and accrued income	31	(42)
Increase/(decrease) in trade creditors	28	(49)
Increase in other taxation and social security	85	18
(Decrease) in other creditors	(64)	(44)
(Decrease)/increase in pensions and similar obligations	(7)	2
(Decrease)/increase in accruals and deferred income	39	(24)
Decrease in provisions for liabilities and charges	<u>(133)</u>	<u>(90)</u>
Net cash inflow from operating activities	<u>1,784</u>	<u>1,767</u>

21 Cash and cash equivalents

Cash and cash equivalents represent cash at bank and in hand:

	1996 £'000	1995 £'000
Changes during the year		
At 1 April 1995	2,032	1,660
Net cash inflow/(outflow)	(597)	372
	<hr/>	<hr/>
At 31 March 1996	1,435	2,032
	<hr/>	<hr/>

22 Analysis of changes in financing during the year

	Loans and finance lease obligations £'000
At 1 April 1995	3,754
Loan repayment	(71)
Inception of finance lease contracts	614
Repayments of principal on finance leases	(739)
	<hr/>
At 31 March 1996	3,558
	<hr/>

23 Major non-cash transactions

During the year the company entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the lease of £613,886 (1995: £1,600,800).

24 Contingent liabilities and financial commitments

	1996 £'000	1995 £'000
Capital expenditure		
Expenditure contracted for	-	614
	<hr/>	<hr/>

25 Lease commitments

The company has financial commitments in respect of non-cancellable operating leases for plant, machinery and vehicles. The rentals payable under these leases in the next year are as follows:

	Annual payment	
	1996	1995
	£'000	£'000
Date of lease termination		
Within one year	24	22
In two to five years inclusive	25	39
After five years	-	3
	<hr/>	<hr/>
	49	64
	<hr/>	<hr/>

26 Transactions with related parties

Plymouth Citybus Limited is owned by Plymouth City Council. Included in the profit and loss account is turnover, which arises from transactions between the company and Plymouth City Council. Such transactions mainly comprise receipts for providing concessionary travel and other services to the residents of Plymouth. They arose in the ordinary course of business and in total amounted to £2,180,000.

The company is also partly funded by loans from Plymouth City Council. Details of these can be found in note 14.