

Plymouth Citybus Limited
Annual report
for the year ended 31 March 2006

Registered number 2004966

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Plymouth Citybus Limited

Managing Director's Report for the year ending 31 March 2006

Overview

The company's financial performance for financial year ending 31 March 2006 has been much better than the management team would have anticipated on 1 April 2005, when the financial year began.

On that date our long term fuel supply agreement ceased and the company was subjected to significant increases in diesel costs, equating to over £500,000 in the year.

Any upward adjustment to our fare or income streams set to match this level of increased cost, in percentage effect terms, would have undoubtedly had a severe effect on our continued customer base.

Improving financial performance

To secure our longer term performance, our board took a more balanced view to recovering the Company's position and agreed a package of measures that would assist in increasing growth in public transport usage.

A review was also undertaken concerning the financial accounting estimates of the company in comparison to other operators within our industry.

The review highlighted that we had a depreciation policy that amortised our Minibus and Midibus fleets at a much higher rate than the significant majority of our industry, making comparison with other bus operators increasingly difficult.

The useful economic lives ('UELS') of these assets also did not match the historical timing of the actual disposal of our vehicles, or the average age calculator guideline (set by the Government at eight years).

Thus, in the 2005/2006 financial year, the company set in place a number of long term fares strategies and also adopted new estimates for the UELs for our Minibus and Midibus fleets, adjusting the anticipated operational lives of these vehicles from six to ten years and ten to fifteen years respectively.

The new fares strategy has been successful in reversing a trend towards a decline in on-bus revenue made by customers in urban areas outside of London. The new estimate for the UELs has caused the depreciation expense to decrease by approximately £370,000.

We also have a set of accounts that can be much more easily compared against the average within our industry.

Financial performance

The subsequent results for the company for the financial year 2005/2006 show the continued improvement in the company's performance identified in medium term reports taken to our board in 2004.

Turnover within the company has increased by 4.75% compared to 2004/2005, the most significant rise for a number of years.

This success in achieving turnover growth, along with the reduced depreciation charge (£370,000) and a release of the Omnibus insurance provision (£98,000) also contributed to achieving an operating profit improvement of 42.81% and a profit on ordinary activities before taxation improvement of 42.71%.

It has also been very pleasing to see that the financial performance of the company's final salary pension scheme has also improved, with the deficit level decreasing from £3.02 million as at 31 March 2005 to £2.45 million as at 31 March 2006. This has assisted in strengthening the balance sheet of the company.

Plymouth Citybus Limited

Final remarks

As mentioned in previous Managing Director's reports I have written, we are a people business, first because we employ nearly 500 staff and second because we complete approximately 14,000,000 passenger journeys a year.

I would thus like to pass on my thanks to our staff, whose commitment to maintaining improvements in our performance has led to our increased turnover.

I would also like to thank my fellow Board members, who were prepared to implement innovative fares strategies, at a time when revenue growth was imperative to combat significant increases in the cost of fuel to the company.

A handwritten signature in black ink, appearing to read 'JAL', followed by a comma.

J A L Ackroyd F.C.C.A.
Managing Director

Plymouth Citybus Limited

Annual report

for the year ended 31 March 2006

Contents

Directors and advisors for the year ended 31 March 2006.....	1
Directors' report for the year ended 31 March 2006.....	2
Independent auditors' report to the members of Plymouth Citybus Limited	5
Profit and loss account for the year ended 31 March 2006	7
Statement of recognised gains and losses for the year ended 31 March 2006.....	7
Balance sheet as at 31 March 2006.....	8
Cash flow statement for the year ended 31 March 2006.....	9
Notes to the financial statements for the year ended 31 March 2006	10

Plymouth Citybus Limited

Directors and advisors for the year ended 31 March 2006

R Simmonds (Chairman)

J A L Ackroyd

C A Webster

A Kerswell

D Bray

G Wheeler

P Smith

P Carter

V Hiomeris

C Pattison

P Sutton

Secretary and registered office

J A L Ackroyd

Milehouse

Plymouth

PL3 4AA

Registered auditors

PricewaterhouseCoopers LLP

Princess Court

23 Princess Street

Plymouth

PL1 2EX

Bankers

National Westminster Bank plc

St Andrew's Cross

Plymouth

PL4 0AE

Registered number

2004966

Plymouth Citybus Limited

Directors' report for the year ended 31 March 2006

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2006.

Principal activities

The profit and loss account for the year is set out on page 7.

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

Review of business and future developments

The profitability of the Company has seen an improvement in performance in the financial year ended 31 March 2006 with profit before taxation rising to £675,000 from £473,000 in 2005.

The improvement is mainly due to increased turnover of £713,000, the decreased depreciation charge (£370,000) from the revised useful economic lives of the midibuses and minibuses (refer to the accounting policy note on page 10 for further details) and a release in the Omnibus insurance provision (£98,000), offset by increased fuel costs (£584,000) and salary costs (£318,000).

No significant changes to the operations are planned for the foreseeable future.

Uncertainties

The Company's long term fuel supply agreement ceased on 31 March 2005 and, due to the increasing costs of fuel on the open market, the Company has been unable to secure any further fixed price fuel agreements. Increased fuel costs therefore remain the biggest challenge to the Company.

The new fares strategy has been put in place to mitigate the effects of the increased cost. The situation will be kept under close review.

Management of financial risk

The Company's operations expose it to a variety of financial risks including the effects of credit risk, liquidity risk and interest rate risk. Whilst the Company does not have a formal risk management programme to mitigate the potential adverse effects that all these risks may pose, it does monitor and take action in each of these areas as follows:

Credit Risk

The Company has implemented policies that require appropriate credit check on potential customers whose levels of proposed business transactions would be deemed to cause a significant credit risk to the Company.

Liquidity Risk

The Company actively maintains an appropriate level of cash reserves available for operations and planned activities in line with the Traffic Commissioner for Operators Licensing requirements.

Interest Rate Risk

The rate of interest earned on the Company's cash balances is monitored on an ongoing basis by review of rates available in the market.

Dividends and transfers to reserves

The directors have proposed an ordinary dividend of £223,000 (2005: £156,000) in respect of the year ended 31 March 2006. The retained profit for the year of £258,000 (2005: £277,000) has been transferred to reserves.

Plymouth Citybus Limited

Directors

The directors of the Company at 31 March 2006, all of whom have been directors for the whole of the year ended on that date, are stated on page 1.

Directors' interests

The directors of the Company at 31 March 2006 did not hold any interests in the shares of the company at any time during the year.

Share capital

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

Market value of land and buildings

In the opinion of the directors the market value of land exceeds the book value by approximately £2,500,000.

Political and charitable contributions

There were no political or charitable donations during the year (2005: £nil).

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 provided 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.

Statement of directors' responsibilities

Company Law requires the directors to prepare financial statements for each financial year that give 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2006 and that applicable accounting standards have been followed.

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

Provision of information to auditors

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Plymouth Citybus Limited

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



J A L Ackroyd
Managing Director

15th December. 2006

Plymouth Citybus Limited

Independent auditors' report to the members of Plymouth Citybus Limited

We have audited the financial statements of Plymouth Citybus Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Managing Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

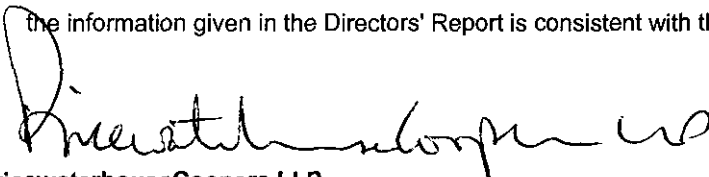
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Plymouth Citybus Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Plymouth

21 December 2006

Plymouth Citybus Limited

Profit and loss account for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Turnover	2	15,721	15,008
Cost of sales		(14,198)	(13,744)
Gross profit		1,523	1,264
Administrative expenses		(739)	(715)
Operating profit	3	784	549
Bank interest receivable		74	94
Interest payable and similar charges	6	(133)	(130)
Other finance expense	19	(50)	(40)
Profit on ordinary activities before taxation	2	675	473
Tax on profit on ordinary activities	7	(194)	(40)
Profit for the financial year		481	433

Statement of recognised gains and losses for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Profit for the financial year		481	433
Actuarial gain / (loss) on pension scheme	19	540	(850)
Movement on deferred tax relating to pension deficit	18	(171)	216
Total gains and losses recognised since last annual report		850	(201)

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

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

Plymouth Citybus Limited

Balance sheet as at 31 March 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	9	7,024	6,586
Investments	10	2	2
		7,026	6,588
Current assets			
Stock	11	223	219
Debtors	12	1,073	1,365
Investments	13	600	1,000
Cash at bank and in hand		781	288
		2,677	2,872
Creditors: amounts falling due within one year	14	(2,477)	(2,336)
Net current assets		200	536
Total assets less current liabilities		7,226	7,124
Creditors: amounts falling due after one year	15	(2,021)	(2,123)
Provisions for liabilities and charges	17	(706)	(730)
Net assets excluding pension liability		4,499	4,271
Pension liability	19	(1,715)	(2,114)
Net assets including pension liability		2,784	2,157
Capital and reserves			
Called up share capital	20	1,290	1,290
Profit and loss account	21	1,494	867
Equity shareholders' funds	22	2,784	2,157

The financial statements on pages 7 to 26 were approved by the board of directors on *15th December* 2006 and were signed on its behalf by:


J A L Ackroyd
 Managing Director

Plymouth Citybus Limited

Cash flow statement for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	23	1,419	1,587
Returns on investments and servicing of finance			
Interest received		74	94
Interest paid		(40)	(44)
Interest paid on finance leases		(93)	(86)
Net cash outflow from returns on investment and servicing of finance		(59)	(36)
Taxation		(109)	(137)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,153)	(1,365)
Sale of tangible fixed assets		48	64
Net cash outflow from capital expenditure and financial investment		(1,105)	(1,301)
Equity dividends paid to shareholders		(156)	(101)
Net cash (outflow) / inflow before use of liquid resources		(10)	12
Management of liquid resources			
Decrease / (increase) in short term deposits		400	(400)
Financing			
Repayment of loan		-	(71)
Grants received		30	144
New finance leases		604	397
Payment of principal under finance leases		(531)	(562)
Net cash inflow/(outflow) from financing		103	(92)
Increase/(decrease) in cash	24	493	(480)

Plymouth Citybus Limited

Notes to the financial statements for the year ended 31 March 2006

1 Accounting policies

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Fixed assets

The cost of all tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of 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	6.7
Minibuses	10.0
Other motor vehicles	20.0

Freehold land is not depreciated.

During 2005/06, a review of fixed asset useful economic life (UEL) was undertaken, comparing the company against industry norms. The review highlighted that the UELs for midibuses and minibuses were lower than the majority of the industry. The UELs for midibuses and minibuses have therefore been changed from ten to fifteen years and six to ten years respectively. The impact of this change in accounting estimate has been to decrease the depreciation charge by £370,000.

Finance and operating leases

Costs in respect of operating leases are charged to the profit and loss account 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 during the year.

Plymouth Citybus Limited

Grants

Grants that relate to capital expenditure are treated as deferred income which is then credited to the profit and loss account over the useful economic lives of the related assets.

Deferred tax

Deferred tax is accounted for on an undiscounted basis at expected rates on all differences arising from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

Pensions

The Company participates in the Local Government Superannuation Scheme, which is a defined benefit scheme. The proportion of the scheme assets and liabilities relating to the company have been determined by an independent actuary.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension scheme's surplus, to the extent that it is considered recoverable, or deficit is recognised in full and presented on the face of the balance sheet net of the related deferred tax.

The company also operates the Plymouth Citybus Pension Scheme. This is a defined contribution scheme. Premiums are charged to the profit and loss account in the period to which they relate.

Plymouth Citybus Limited

2 Turnover and profit on ordinary activities before taxation

The analysis of the company's turnover and profit on ordinary activities before taxation is set out below:

	Turnover		Profit on ordinary activities before taxation	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bus and coach operations	14,444	13,872	264	65
Other (commercial engineering, advertising, PCV school and miscellaneous)	1,277	1,136	411	408
	15,721	15,008	675	473

All turnover is derived from operations in the United Kingdom.

3 Operating profit

Operating profit is stated after charging/(crediting):	2006 £'000	2005 £'000
Auditors' remuneration:		
- audit services	19	18
- non audit services	2	2
Profit on disposal of fixed assets	(47)	(50)
Rent receivable	(18)	(22)
Operating lease rentals - plant and machinery	33	42
Depreciation of owned tangible fixed assets	444	515
Depreciation of tangible fixed assets held under finance leases	270	573
Release of deferred capital grant	12	29

Plymouth Citybus Limited

4 Directors' emoluments

	2006 £'000	2005 £'000
Aggregate emoluments	174	149
Company pension contributions to money purchase schemes	9	7

Retirement benefits are accruing to one director (2005: one director) under the Local Government Superannuation Scheme ('LGSS'), a defined benefit scheme. Retirement benefits are accruing to two directors (2005: two directors) under the Plymouth Citybus money purchase pension scheme.

5 Employee information

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

By Activity	2006 Number	2005 Number
Bus operations and other activities	434	434
Administration	48	48
	482	482

	2006 £'000	2005 £'000
Staff costs (for the above persons) included within operating profit		
Wages and salaries	8,042	7,724
Social security costs	696	628
Other pension costs	503	467
	9,241	8,819

Plymouth Citybus Limited

6 Interest payable and similar charges

	2006 £'000	2005 £'000
Debenture loan interest	40	44
Finance lease and hire purchase interest	93	86
	133	130

7 Taxation

	2006 £'000	2005 £'000
Current tax:		
UK corporation tax on profits	120	153
Adjustment in respect of previous periods	-	9
Total current tax	120	162
Deferred tax:		
Origination and reversal of timing differences (note 18)	74	(122)
Tax on profit on ordinary activities	194	40

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	675	473
Profit on ordinary activities multiplied by standard rate in the UK (30%)	202	142
Effects of:		
Expenses not deductible for tax purposes	4	3
Accelerated capital allowances and other timing differences	(83)	8
Marginal rates	(3)	-
Adjustments to tax charge in respect of previous periods	-	9
Current tax charge for the year	120	162

Plymouth Citybus Limited

8 Dividends

Ordinary shares:	2006 £'000	2005 £'000
Proposed: final of 17.3p (2005: 12.1p) per share	223	156

9 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 2005	1,584	1,231	14,118	16,933
Additions	-	167	986	1,153
Disposals	-	(35)	(412)	(447)
At 31 March 2006	1,584	1,363	14,692	17,639
Accumulated depreciation				
At 1 April 2005	211	671	9,465	10,347
Charge for the year	12	134	568	714
Disposals	-	(35)	(411)	(446)
At 31 March 2006	223	770	9,622	10,615
Net book amount				
At 31 March 2006	1,361	593	5,070	7,024
At 31 March 2005	1,373	560	4,653	6,586

The net book value of tangible fixed assets includes amounts of £2,942,912 (2005: £2,482,338) in respect of assets held under finance leases and hire purchase contracts.

Plymouth Citybus Limited

10 Fixed asset investments

	2006 £'000	2005 £'000
Cost and net book value		
At 1 April 2005 and 31 March 2006	2	2

Investments at net book value include:

	2006 £'000	2005 £'000
Investment listed on a recognised investment exchange	2	2
Market value of listed investments	5	4

11 Stocks

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

12 Debtors

Amounts falling due within one year:	2006 £'000	2005 £'000
Trade debtors	686	524
Other debtors	239	179
Prepayments and accrued income	148	662
	1,073	1,365

13 Current asset investments

Current asset investments relate to amounts placed in short term (2006: two week, 2005: one month) deposit accounts.

Plymouth Citybus Limited

14 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Debenture loans (note 15)	166	79
Trade creditors	583	601
Obligations under finance leases (note 15)	574	473
Corporation tax payable	120	109
Other creditors	50	92
Other tax and social security	196	171
Accruals and deferred income	530	626
Deferred capital grant (note 16)	35	29
Proposed dividend	223	156
	2,477	2,336

15 Creditors: amounts falling due after one year

	2006 £'000	2005 £'000
Debenture loans (see below)	533	620
Obligations under finance leases (see below)	1,389	1,417
Deferred capital grant (note 16)	99	86
	2,021	2,123

Debenture loans

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

	2006 £'000	2005 £'000
- within one year	166	79
- between one and two years	97	87
- between two and five years	356	322
- in five years or more	80	211
	699	699

Plymouth Citybus Limited

15 Creditors: amounts falling due after more than one year (continued)

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

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

Finance leases

The finance leases are secured on the assets to which they relate. The net finance lease obligations to which the company is committed are:

	2006 £'000	2005 £'000
Within one year	574	473
Between two and five years	1,237	1,321
After five years	152	96
	1,963	1,890

16 Deferred capital grants

	£'000
At 1 April 2005	116
Grants received	30
Grants released to profit and loss account	(12)
At 31 March 2006	134

Plymouth Citybus Limited

17 Provisions for liabilities and charges

	Deferred taxation provision excluding deferred tax on pension liability £'000	Provisions for Omnibus Insurance £'000	Total £'000
At 1 April 2005	78	652	730
Charged / (credited) to the profit and loss account	74	(98)	(24)
At 31 March 2006	152	554	706

The Omnibus Insurance Provision comprises expected insurance claims against Plymouth Citybus for incidents occurring relating to the operation of the Company's buses and coaches.

18 Deferred taxation

Deferred taxation provided in the financial statements is as follows:

	2006 £'000	2005 £'000
Accelerated capital allowances	370	307
Other timing differences	(218)	(229)
Deferred tax excluding that relating to the pension liability	152	78
Pension liability (note 19)	(735)	(906)
Total provision for deferred tax	(583)	(828)

The movement in the deferred taxation provision during the year was:

	2006 £'000	2005 £'000
At 1 April 2005	(828)	(490)
Deferred tax credit in profit and loss account (note 7)	74	(122)
Deferred tax charged to the statement of total recognised gains and losses	171	(216)
At 31 March 2006	(583)	(828)

Plymouth Citybus Limited

19 Pension costs and obligations

The Local Government Superannuation Scheme

In accordance with Financial Reporting Standard No. 17 – Retirements Benefits (FRS 17), Plymouth Citybus is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

Plymouth Citybus participates in the Local Government Pension Scheme. The Local Government Pension Scheme is a UK defined benefit scheme based on final pensionable salary.

The most recent full actuarial valuation was carried out as at 31 March 2004, and has been updated by independent actuaries to the Devon County Council Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31 March 2006. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The contribution rate certified for Plymouth Citybus at the 31 March 2004 valuation for the period 1 April 2004 to 31 March 2006 is 400% of members' contributions plus capital contributions of £191,000 per annum. Capital contributions of £191,000 have been made during the financial year.

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

	31 March 2006	31 March 2005
Rate of increase in salaries	4.5% pa	4.4% pa
Rate of increase to pensions in payment	3.0% pa	2.9% pa
Rate of increase in deferred pensions	3.0% pa	5.3% pa
Discount rate for scheme liabilities	4.9% pa	5.3% pa
Inflation	3.0% pa	2.9% pa

Assets are valued at fair value, principally market value for investments. The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 March 2006	Value at 31 March 2006 £'000	Long-term rate of return expected at 31 March 2005	Value at 31 March 2005 £'000
Equities	7.3%	5,890	7.7%	4,478
Bonds	4.3%	1,363	4.7%	1,097
Property	6.3%	837	6.7%	644
Other assets	4.6%	480	4.8%	531
Total market value of assets		8,570		6,750
Present value of scheme liabilities		(11,020)		(9,770)
Deficit in the scheme		(2,450)		(3,020)
Related deferred tax asset		735		906
Net pension deficit		(1,715)		(2,114)

Plymouth Citybus Limited

19 Pension costs and obligations (continued)

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at each year end.

It should be noted that, for employers which do not admit new employees to the Fund, use of the projected unit method to value liabilities will mean that the current service cost increases as the members approach retirement.

Analysis of the amount charged to operating profit

	2006 £'000	2005 £'000
Current service cost	280	260
Total operating charge	280	260

Analysis of the amount charged / (credited) to other finance expense

	2006 £'000	2005 £'000
Expected return on pension scheme assets	(470)	(410)
Interest on pension scheme liabilities	520	450
Net expense	50	40

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	1,190	300
Experience gains and losses arising on the scheme liabilities	-	(410)
Changes in assumptions underlying the present value of the scheme liabilities	(650)	(740)
Actuarial gain / (loss) recognised in STRGL	540	(850)

Plymouth Citybus Limited

19 Pension costs and obligations (continued)

Movement in deficit during the year

	2006 £'000	2005 £'000
Deficit in scheme at beginning of the year	(3,020)	(2,300)
Movement in the year:		
Current service cost	(280)	(260)
Contributions	360	430
Other finance expense	(50)	(40)
Actuarial gain / (loss)	540	(850)
Deficit in scheme at end of the year	(2,450)	(3,020)

History of experience gains and losses

	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return of scheme assets				
Amount	1,190	300	840	(1,370)
Percentage of scheme assets	13.9%	4.4%	14.0%	(29.0%)
Experience gains and losses on scheme liabilities				
Amount	-	(410)	(10)	30
Percentage of the present value of the scheme liabilities	-	4.2%	0.1%	0.4%
Total amount recognised in STRGL				
Amount	540	(850)	470	(1,810)
Percentage of the present value of the scheme liabilities	4.9%	8.7%	5.6%	(24.0%)

Plymouth Citybus pension scheme

This is a defined contribution pension scheme. Pension contributions in respect of this scheme were £214,752 (2005: £205,058). Contributions of £63,512 were outstanding at 31 March 2006 (2005: £8,736).

Plymouth Citybus Limited

20 Called up share capital

	2006 £'000	2005 £'000
Authorised		
1,300,000 ordinary shares of £1 each	1,300	1,300
Allotted, called up and fully paid		
1,290,100 ordinary shares of £1 each	1,290	1,290

21 Reserves

	Profit and loss account £'000
At 1 April 2005	867
Retained profit for the financial year (note 22)	258
Actuarial gain on pension scheme	540
Movement on deferred tax relating to pension liability	(171)
At 31 March 2006	1,494
Pension liability	1,715
Profit and loss reserve excluding pension liability	3,209

Plymouth Citybus Limited

22 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the financial year	481	433
Dividends	(223)	(156)
Retained profit for the financial year	258	277
Actuarial gain/(loss) on pension scheme	540	(850)
Movement on deferred tax relating to pension scheme	(171)	216
Net increase / (reduction) to shareholders' funds	627	(357)
Opening shareholders' funds	2,157	2,514
Closing shareholders' funds	2,784	2,157

23 Reconciliation of operating profit to net cash flow from operating activities

	2006 £'000	2005 £'000
Operating profit	784	549
Depreciation on tangible fixed assets	714	1,088
Profit on sale of tangible fixed assets	(47)	(50)
(Increase) in stocks	(4)	(25)
(Increase) / decrease in trade debtors	(162)	101
(Increase) in other debtors	(60)	(5)
Decrease / (increase) in prepayments and accrued income	514	(166)
(Decrease) / increase in trade creditors	(18)	65
(Decrease) / increase in other creditors	(17)	95
Decrease / (increase) in accruals and deferred income	(96)	238
Release of deferred capital grants	(12)	(29)
(Decrease) / increase in provisions for liabilities and charges	(98)	(104)
Difference between pension charge and cash contributions	(79)	(170)
Net cash inflow from operating activities	1,419	1,587

Plymouth Citybus Limited

24 Reconciliation of net cash flow to movement in net debt

	2006 £'000	2005 £'000
Increase / (decrease) in cash in the year	493	(480)
Cash movement from increase in debt and lease financing	(677)	(161)
New finance leases	604	397
Cash (inflow) / outflow from movement in deposits	(400)	400
Movement in net debt in the year	20	156
Net debt at 1 April	(1,301)	(1,457)
Net debt at 31 March	(1,281)	(1,301)

25 Analysis of net debt

	At 1 April 2005 £'000	Cash flow £'000	Other non cash movements £'000	At 31 March 2006 £'000
Cash at bank and in hand	288	493	-	781
Debt due after 1 year	(620)	-	87	(533)
Debt due within 1 year	(79)	-	(87)	(166)
Finance leases	(1,890)	(73)	-	(1,963)
	(2,301)	420	-	(1,881)
Liquid resources	1,000	(400)	-	600
Total	(1,301)	20	-	(1,281)

26 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 £603,500 (2005: £397,000).

27 Contingent liabilities and financial commitments

	2006 £'000	2005 £'000
Capital expenditure contracted for	-	60

Plymouth Citybus Limited

28 Lease commitments

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

	Annual payment	
	2006 £'000	2005 £'000
Date of lease termination		
Within one year	2	3
In two to five years inclusive	-	2
Over five years	31	38
	33	43

29 Transactions with related parties

The company is wholly owned by Plymouth City Council and as such has taken advantage of exemptions under FRS 8 Related Party Disclosures. Consequently, transactions with Plymouth City Council are not disclosed.

30 Ultimate ownership

Plymouth City Council own 100% of the share capital of Plymouth Citybus Limited. The directors regard Plymouth City Council to be the ultimate owner of Plymouth Citybus Limited.

Copies of Plymouth City Council's consolidated Statement of Accounts can be obtained from:

Finance Department
Civic Centre
Plymouth
PL1 2AA.