

**BRISTOL OMNIBUS COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 1997**

**Company Registered  
Number: 25088**



# BRISTOL OMNIBUS COMPANY LIMITED

## FINANCIAL STATEMENTS

31 March 1997

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**DIRECTORS' REPORT**

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The directors have pleasure in submitting their annual report and financial statements for the year ended 31 March 1997.

**Principal activities**

The company operates local bus services within the cities of Bath and Bristol, and in the surrounding areas.

**Review of the business**

The period 1996/97 saw further significant changes within the company. The Badgerline operation, which had been absorbed in January 1996, was completely restructured during the year in an effort to improve internal efficiency and to improve the quality of product on offer to customers. The acquisition of Streamline Buses in March 1997 added 23 vehicles to the Badgerline fleet in Bath and has enabled major improvements to be made to routes serving the student market in that city.

During the period, the company introduced 14 new vehicles. These were Dennis/Plaxton single decker, 7 of which were the 'super low floor' version. These were introduced on to Weston-super-Mare services during the summer of 1996.

Staff training has always been a high priority at Bristol Omnibus Company and during 1996 all Badgerline staff attended a Communications Seminar. This followed the successful series of seminars for Cityline staff which were held in 1994/95.

**Financial matters**

The results for the year are given in the profit and loss account on page 7.

The directors do not recommend payment of a final dividend. An interim dividend of £4.400m (80p per share) was paid in the year.

After deducting the dividends of £4.400m, the retained profit for the year was £2.018m.

**Fixed assets**

In the opinion of the directors, there were no material differences between the market values of the company's properties and their net book values.

**Creditors**

It is the company's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. A number of significant purchases, such as fuel and tyres and commitments under finance leases and hire purchase contracts and under operating leases are paid by direct debit. At 31 March 1997 the company had 62 days' (31 March 1996 - 91 days') purchases outstanding.

## DIRECTORS' REPORT

## Directors

The directors who held office during the year together with those subsequently appointed are as follows:

G G T Varley	(Chairman)	(resigned 1 April 1997)
R A Duncan	(Chairman)	(appointed 1 April 1997)
V M Bettison		
L A Birchley		(resigned 14 April 1996)
S G Bond		
M R Doidge		(appointed 2 June 1997)
A H Harford		(resigned 12 July 1997)
R W Holland		
B P Keane		
B G Noton		(appointed 18 November 1996)
J A Osbaldiston		(resigned 16 April 1996)
M N Pestereff		
M Sutton		(resigned 3 October 1996)
V J Woolley		(resigned 16 April 1996)

The directors who held office at the end of the year had the following interests in the ordinary shares of FirstBus plc:

Director	Ordinary shares		Share options under Savings related share option scheme		Share options under Executive share option scheme	
	At end of year	At beginning of year	At end of year	At beginning of year	At end of year	At beginning of year
	5p shares	5p shares	5p shares	5p shares	5p shares	5p shares
V M Bettison	1354	1000	1297	1249	-	-
S G Bond	14309	14240	1116	1075	-	-
A H Harford	6549	7980	-	-	-	-
R W Holland	624768	624768	-	-	-	80000
B P Keane	-	-	-	-	-	-
B G Noton	2065	-	-	-	-	-
M N Pestereff	2285	-	-	-	-	-

Information stated at the beginning of the year are the interests at the start of the financial year or the date of appointment, if later.

Information, including details of exercise prices, relating to the Savings related share option scheme and the Executive share option scheme are given in note 29 to the financial statements of FirstBus plc.

**DIRECTORS' REPORT (continued)****Directors (continued)**

There is no contract or arrangement with the company or any of its fellow group undertakings, other than service contracts, in which any of the directors is materially interested and which is significant in relation to the business of the company or any of its fellow group undertakings taken as a whole.

The interests of Mr G G T Varley in the ordinary shares of FirstBus plc are disclosed in the directors' report of FirstBus plc.

**Employee involvement**

Communication with employees is effected mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests.

FirstBus plc, the company's ultimate holding company, is committed to wide employee share ownership and has established an Employee Share Ownership Plan. The board of FirstBus plc has resolved to allocate 5% of the Group's consolidated pre-tax profit to the ESOP. The trustees will use this to acquire shares in FirstBus plc which will then be appropriated to participating employees of subsidiary undertakings.

**Disabled persons**

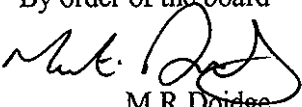
The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

**Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution concerning the reappointment and remuneration of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Enterprise House  
Easton  
Bristol  
BS5 0DZ

By order of the board

  
M R Doidge  
Secretary

18 August 1997

**DIRECTORS' RESPONSIBILITIES**

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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 of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- \* select suitable accounting policies and then apply them consistently;
- \* make judgements and estimates that are reasonable and prudent;
- \* state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- \* prepare the financial statements on a 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## BRISTOL OMNIBUS COMPANY LIMITED

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We have audited the financial statements on pages 6 to 21.

**Respective responsibilities of directors and auditors**

As described on page 4 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 as at 31 March 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*18 August 1997*

15 Pembroke Road  
Clifton  
Bristol  
BS8 3BG

## PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1997

	Notes	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
<b>Turnover</b>			
- continuing operations	2	46409	35259
<b>Operating costs</b>			
- General		(39546)	(29564)
- Restructuring and other exceptional costs		(157)	(110)
- Employees' profit sharing scheme		(200)	(100)
Total operating costs	3	(39903)	(29774)
<b>Operating profit</b>			
- continuing operations		6506	5485
Loss on disposal of fixed asset properties			
- continuing operations		-	(34)
<b>Profit on ordinary activities before interest</b>		6506	5451
Net interest payable and similar charges	6	(1854)	(1399)
<b>Profit on ordinary activities before taxation</b>	2,7	4652	4052
Tax on profit on ordinary activities	8	1216	(2409)
<b>Profit for the financial year</b>		5868	1643
Equity dividends paid and proposed	9	(4400)	(1775)
<b>Retained profit/(loss) for the financial year</b>	17	1468	(132)

No statement of total recognised gains and losses is given as all gains or losses for the year passed through the profit and loss account.



## BALANCE SHEET

At 31 March 1997

	Notes	31 March 1997		31 March 1996	
		£000	£000	£000	£000
<b>Assets employed:</b>					
<b>Fixed assets</b>					
Tangible assets	10		27472		29571
<b>Current assets</b>					
Stocks	11	639		455	
Debtors	12	6790		10624	
Cash at bank and in hand		565		1506	
			7994		12585
Creditors: amounts falling due within one year	13	(11403)		(15081)	
<b>Net current (liabilities)/assets</b>					
Due within one year			(4181)		(2982)
Amounts due after more than one year	12		772		486
<b>Net current liabilities</b>			(3409)		(2496)
<b>Total assets less current liabilities</b>			24063		27075
Creditors: amounts falling due after more than one year	13		(13777)		(16170)
Provisions for liabilities and charges	14		(1284)		(3371)
			9002		7534
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Called up share capital	16	5500		5500	
Revaluation reserve	17	2022		2022	
Profit and loss account	17	1480		12	
<b>Equity shareholders' funds</b>			9002		7534

These financial statements were approved by the board of directors on 18 August 1997 and were signed on its behalf by:

  
R W Holland  
Director

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March 1997

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Profit for the financial year	5868	1643
Dividends	(4400)	(1775)
Net additions/(reductions) to shareholders' funds	<u>1468</u>	<u>(132)</u>
Shareholders' funds at beginning of year	7534	7666
Shareholders' funds at end of year	<u><u>9002</u></u>	<u><u>7534</u></u>

No note of historical cost profits and losses is given as there were no material differences between the results as set out in the profit and loss account, and their historical cost equivalents.

## NOTES TO THE ACCOUNTS

31 March 1997

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**1 Principal accounting policies**

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

**(a) Basis of preparation**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards.

The format of the profit and loss account has been changed to reflect presentation generally adopted in the industry and the comparatives have been restated.

The ultimate holding company has included within its financial statements a consolidated Cash Flow Statement in accordance with FRS No. 1 (revised). Therefore, the company is not required to give its own separate Cash Flow Statement.

FRS No. 8 has been adopted for the first time in preparing these accounts.

**(b) Fixed assets and depreciation**

Depreciation is provided to write off the cost or valuation less residual value of tangible fixed assets over their estimated useful economic lives as follows:

Freehold buildings	- 50 years straight line
Long leasehold properties	- 50 years straight line
Short leasehold properties	- period of lease
Passenger carrying vehicles:	
Double and single decks	- 15 years straight line
Coaches	- 7 or 12 years straight line
Midibuses	- 12 years straight line
Minibuses	- 9 years straight line
Other plant and equipment	- 3 to 8 years straight line

No depreciation is provided on freehold land or the land element of long leasehold properties.

Surpluses or deficits arising on the revaluation of tangible fixed assets are credited or debited to a revaluation reserve. On a subsequent disposal of a revalued asset, the revaluation surplus or deficit relating to this asset is transferred to the profit and loss account reserve.

**(c) Goodwill**

Purchased goodwill is written off in full in the year in which it is acquired.

## NOTES TO THE ACCOUNTS (continued)

31 March 1997

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**1 Principal accounting policies (continued)****(d) Leases and hire purchase**

Assets held under finance leases, which are those leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and under hire purchase contracts are recorded in the balance sheet as tangible fixed assets. Depreciation is provided on these assets over their estimated useful lives or lease term, as appropriate.

Future obligations under finance leases and hire purchase contracts are included in creditors, net of finance charges. Payments are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligations. The finance charges are calculated in relation to the reducing amount of obligations outstanding and are charged to the profit and loss account on the same basis.

All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

**(e) Government grants and subsidies**

Amounts receivable for tendered services and concessionary fare schemes are included in turnover. Rebates in respect of duty paid on fuel are netted off operating costs.

**(f) Stocks**

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

**(g) Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax to the extent that it is probable that a liability or asset will crystallise.

**(h) Pension costs**

Retirement benefits are provided for most employees of the company by means of three defined benefit pension schemes. These are funded by contributions from the company and employees. The company's contributions are charged to the profit and loss account based on recommendations by an independent actuary, in such a way as to provide for the liabilities evenly over the average remaining working lives of the employees. The difference between the charge to the profit and loss account and the contributions paid by the company is shown as an asset or liability in the balance sheet and the tax effect of this timing difference is included in deferred taxation.

## NOTES TO THE ACCOUNTS (continued)

31 March 1997

**2 Turnover and profit before taxation**

Turnover represents the amounts receivable for services supplied to customers during the year.

The whole of the turnover and profit before taxation derives from the company's principal activities within the United Kingdom.

**3 Operating costs**

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Materials and consumables	6153	4466
Staff costs	26225	19994
External charges	4220	3158
Depreciation and other amounts written off tangible fixed assets	3305	2156
	<u>39903</u>	<u>29774</u>

**4 Employee numbers and costs**

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

	Year to 31 March 1997	15 months to 31 March 1996
Drivers	1427	917
Maintenance and traffic	185	131
Administration	209	141
	<u>1821</u>	<u>1189</u>

The aggregate payroll costs of these persons were as follows:

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Wages and salaries	23382	17915
Social security costs	1827	1398
Other pension costs	863	592
Redundancy costs	153	89
	<u>26225</u>	<u>19994</u>

## NOTES TO THE ACCOUNTS (continued)

31 March 1997

## 5 Directors' remuneration

The remuneration of the directors during the year was as follows:

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Aggregate emoluments (excluding pension contributions)	219	169

One director exercised share options during the year.

Retirement benefits accrue to five directors under defined benefit schemes.

The emolument of the highest paid director amounted to:

	Year to 31 March 1997
Aggregate emoluments	67487
Defined benefit scheme	
Accrued pension at end of year	22669
Accrued lump sum at end of year	-

The highest paid director exercised share options during the year.

Details of directors' options are given in the Directors' report.

## 6 Net interest payable and similar charges

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Finance charges payable in respect of finance leases and hire purchase contracts	1854	1425
Income from short term deposits	-	(26)
	1854	1399

## NOTES TO THE ACCOUNTS (continued)

31 March 1997

## 7 Profit on ordinary activities before taxation

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration		
- audit fee	10	18
- non audit	3	6
Depreciation and other amounts written off tangible fixed assets	3305	2156
Rentals payable under operating leases		
- plant and machinery	49	41
- other assets	71	77
Net rents receivable from property	(42)	(77)

## 8 Tax on profit on ordinary activities

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
UK corporation tax at 33%		
Prior years	(111)	(163)
Group relief payable	966	670
Transfer to/(from) deferred tax		
Current year	146	-
Prior years	(2217)	1902
	<u>(1216)</u>	<u>2409</u>

Up to 31 March 1996 the company made full provision for tax deferred by means of accelerated capital allowances on the passenger carrying vehicle fleet and on other plant and equipment. The company's current capital expenditure plans indicate it is probable that the majority of this tax liability will not crystallize in the foreseeable future and accordingly part of the deferred tax provision has been released, giving rise to a credit of £2.217m in the year to 31 March 1997.

If full provision had been made for deferred tax in the current year the tax charge would have been higher by £2.653m.

The charge for UK corporation tax for both the current year and the preceding period has been reduced by the availability of group loss relief for which payment will be made.

## NOTES TO THE ACCOUNTS (continued)

31 March 1997

## 9 Equity dividends

	Year to 31 March 1997 £000	15 months to 31 March 1996 £000
Ordinary shares of £1 each		
- interim paid	4400	375
- final proposed	-	1400
	<u>4400</u>	<u>1775</u>

## 10 Tangible fixed assets

	Land and buildings £000	Passenger carrying vehicle fleet £000	Other plant and equipment £000	Total £000
<b>Cost or valuation</b>				
At beginning of year	3418	40655	3170	47243
Additions	29	1094	143	1266
Intra group transfers	-	(381)	-	(381)
Disposals	-	(493)	(31)	(524)
At end of year	<u>3447</u>	<u>40875</u>	<u>3282</u>	<u>47604</u>
<b>Depreciation</b>				
At beginning of year	267	15219	2186	17672
Charge for year	54	2893	358	3305
Intra group transfers	-	(334)	-	(334)
Disposals	-	(480)	(31)	(511)
At end of year	<u>321</u>	<u>17298</u>	<u>2513</u>	<u>20132</u>
<b>Net book value</b>				
At 31 March 1997	<u>3126</u>	<u>23577</u>	<u>769</u>	<u>27472</u>
At 31 March 1996	<u>3151</u>	<u>25436</u>	<u>984</u>	<u>29571</u>



## NOTES TO THE ACCOUNTS (continued)

31 March 1997

## 10 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	31 March 1997 £000	31 March 1996 £000
Freehold	663	672
Long leasehold	2405	2419
Short leasehold	58	60
	<u>3126</u>	<u>3151</u>

Depreciation is not provided on the land element of freehold and long leasehold property which amounts to £1.288m (31 March 1996 - £1.288m).

The assets which have been revalued comprise the following land and buildings:

	31 March 1997 £000	31 March 1996 £000
At 1993 professional valuation	2970	2430
Aggregate depreciation thereon	(125)	(77)
Net book value	<u>2845</u>	<u>2353</u>
Historical cost of revalued assets	1257	531
Aggregate depreciation based on historical cost	(291)	(183)
Historical net book value	<u>966</u>	<u>348</u>

The 1993 professional valuations were carried out by Chesterton International Limited on the basis of open market value for existing use.

No provision is made for tax of £0.355m (31 March 1996 - £0.370m) which would arise on disposal of revalued properties. The company does not intend to dispose of these properties without reinvestment of the sale proceeds.

£23.420m (31 March 1996 - £25.227m) of the net book value of the passenger carrying vehicle fleet and £0.007m (31 March 1996 - £0.025m) of other plant and equipment was acquired under finance leases and hire purchase contracts. The depreciation charges on these assets during the year were £2.865m (15 months to 31 March 1996 - £2.040m) and £0.018m (15 months to 31 March 1996 - £0.007m) respectively.

## NOTES TO THE ACCOUNTS (continued)

31 March 1997

11	Stocks	31 March 1997	31 March 1996
		£000	£000
	Spare parts and consumables	639	455
		<u>639</u>	<u>455</u>
12	Debtors	31 March 1997	31 March 1996
		£000	£000
	Amounts due within one year		
	Trade debtors	1562	1308
	Amounts owed from group undertakings	3292	7904
	Other debtors	643	427
	Other prepayments and accrued income	521	499
		<u>6018</u>	<u>10138</u>
	Amounts due after one year		
	Pension funds' prepayments	727	427
	Other prepayments and accrued income	45	59
		<u>772</u>	<u>486</u>
		<u>6790</u>	<u>10624</u>

## NOTES TO THE ACCOUNTS (continued)

31 March 1997

## 13 Creditors

## Amounts falling due within one year

	31 March 1997 £000	31 March 1996 £000
Bank overdraft	992	-
Obligations under finance leases and hire purchase contracts	3330	3685
Trade creditors	2029	2322
Amounts owed to group undertakings	93	3240
Corporation tax	(53)	-
Other tax and social security	515	484
Other creditors	1869	1571
Pension funds' creditors	328	366
Accruals and deferred income	2300	2013
Proposed dividends	-	1400
	<u>11403</u>	<u>15081</u>

## Amounts falling due after more than one year

	31 March 1997 £000	31 March 1996 £000
Obligations under finance leases and hire purchase contracts		
Due between one and two years	3440	3124
Due between two and five years	8483	9343
Due after five years	1854	3703
	<u>13777</u>	<u>16170</u>

Finance lease and hire purchase contract liabilities are secured on the assets to which they relate. The contracts vary in length between five and ten years and are on normal commercial terms at negotiated rates.

## NOTES TO THE ACCOUNTS (continued)

31 March 1997

## 14 Provisions for liabilities and charges

	Deferred tax £000
At beginning of year	3371
Release of deferred tax provision	(2217)
Transfer from profit and loss account	146
Transfer to group undertakings	(16)
At end of year	<u>1284</u>

## 15 Deferred taxation

The amounts provided for deferred taxation and the amounts not provided are set out below. The amounts unprovided represent contingent liabilities and are calculated using a tax rate of 33% (31 March 1996 - 33%).

	31 March 1997		31 March 1996	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	1129	2980	3350	305
Other timing differences	155	-	21	-
Unrealised capital gains	-	355	-	370
	<u>1284</u>	<u>3335</u>	<u>3371</u>	<u>675</u>

## 16 Called up share capital

	31 March 1997 £000	31 March 1996 £000
Authorised		
Ordinary shares of £1 each	<u>5500</u>	<u>5500</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>5500</u>	<u>5500</u>

## NOTES TO THE ACCOUNTS (continued)

31 March 1997

## 17 Reserves

	Revaluation reserve	Profit and loss account
	£000	£000
At beginning of year	2022	12
Retained profit for the year	-	1468
At end of year	<u>2022</u>	<u>1480</u>

## 18 Commitments

## Capital expenditure

Capital commitments at the end of the year for which no provision has been made are as follows:

	31 March 1997 £000	31 March 1996 £000
Contracted for but not provided		
Year to 31 March 1997	-	1043
Year to 31 March 1998	4864	-
	<u>4864</u>	<u>1043</u>

## Operating leases

Commitments for payments in the next year under operating leases are as follows:

	31 March 1997		31 March 1996	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	7
From two to five years	-	49	-	51
Over five years	204	-	204	-
	<u>204</u>	<u>49</u>	<u>204</u>	<u>58</u>

## NOTES TO THE ACCOUNTS (continued)

31 March 1997

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**19     Contingent liabilities**

The company has guaranteed the bank overdrafts of certain fellow subsidiary undertakings. The amount outstanding at the end of the year under the guarantees was £Nil (31 March 1996 - £0.220m).

The company is a member of a VAT group covering a number of subsidiary undertakings. All members of the VAT group are jointly and severally liable in respect of any VAT owed to H M Customs and Excise.

**20     Pension scheme**

The company is a member of three defined benefit pension schemes, which are funded. All eligible employees are offered membership of the relevant scheme. The valuations of the schemes were carried out by independent actuaries at 1 January 1992 and 6 April 1992 in respect of the costs used in these accounts. At the date of these actuarial valuations, the market value of the scheme's assets totalled £19.407m. The actuarial value of these assets was sufficient to cover 113% of the benefits which had accrued to the scheme's members. The surplus of £2.530m is being utilised by increasing the benefits offered to the members as well as a reduction in the company's contribution to the schemes.

Contributions are paid to the schemes at rates recommended by the actuaries and the assets of the schemes are held in a separately administered trusts. The scheme's assets are held and managed independently of the company's finances by independent investment managers appointed by the trustees of the schemes.

The actuarial assumptions used in determining the costs used in these accounts were that the rate of return on investments will be 10.5% per annum; the rate of earnings increase will be 7.5% per annum; the rate of dividend growth will be 6.0% per annum after allowing for no increase in the first year; and the rate of inflation will be 5.5% per annum. The valuations were made using the projected unit method.

The three defined benefit pension schemes have been valued as at 1 January 1995 and 6 April 1995. These valuations which overall are in line with expectations, will form the basis of future years' charges. At the date of these recent actuarial valuations the market value of the scheme's assets totalled £31.617 m. The actuarial value of these assets was sufficient to cover 106% of the benefits which had accrued to the scheme's members. The surplus of £1.855m will be utilised by increasing the benefits offered to the members as well as a reduction in the company's contribution to the schemes.

The actuarial assumptions used in these recent actuarial valuations were that the rate of return on investments will be 10% per annum; the rate of earnings increase will be 7.5% per annum; the rate of dividend growth will be 5.5% per annum; and the rate of inflation will be 5.0% per annum. The valuations were made using the projected unit method.

Two of the three schemes merged on 28 February 1997.

NOTES TO THE ACCOUNTS (continued)

31 March 1997

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22 Ultimate holding company

The ultimate holding company is FirstBus plc, which is incorporated in Great Britain and registered in Scotland. Copies of the accounts of FirstBus plc can be obtained from the Company Secretary of this company at Oldmixon Crescent, Weston-super-Mare, North Somerset, BS24 9AY.