**Blackpool Transport Services Limited**

# Annual report and financial statements

Registered number 2003020

26 March 2016

# Contents

# Strategic report

**Activities**

The Group's principal activity is the provision of public passenger transport services on Lancashire's Fylde Coast which it fulfils through its bus fleet and the famous coastal LRT system.

**Review of the Business**

***Group Results***

Turnover for the 52 week period was £22,602,398 which was an increase of 1.0% on the previous 52 week period (*2015: £22,369,474*). There has been an increase in the sale of pre-paid tickets which have been promoted throughout the period. This period's figures have shown a decrease in concessionary income of 4.3% as a result of demographic changes. Direct Costs of £15,896,263 are lower than in the previous 52 week period (*2015: £16,430,858*). The Company has benefited from a decreased in diesel prices and depreciation costs. As a result of the above, the Gross Profit for the 52 week period has increased by 12.9%, up from £5,938,616 to £6,706,136. This gives a gross profit margin for the current period of 29.7%. *(2015 26.5%)*

In Administration Expenses of £6,923,861 (*2015: £5,631,989*) there were increases in headcount caused by the need to reposition the business as more customer responsive with greater control over internal processes (£436,000). There has also been a re-categorisation of engineering costs from Direct to Indirect cost (£330,000). Other significant cost increases related to building repairs and FRS 102 'Retirement Benefits'.

Other Operating Income for the 52 week period is £24,259 *(2015: £443,239)*. The largest cause of the decrease in these costs was the change in treatment of re-charges of tramway maintenance. These costs are now paid by the company and represent £336,660.

The Company made an Operating Loss before the impact of the defined benefit scheme of £21,467 which is a decrease of £927,333 against the previous period (*2015: £905,866 - profit*).

Interest payable and similar charges have increased from £74,526 to £146,758 as a result of greater discount rate on the net pension obligations during the period.

The figures shown in the Profit and Loss Account have been affected by the requirement to comply with FRS102 'Retirement Benefits'. The Company's trading loss before taxation of £56,615 has decreased by £262,000 to a deficit of £318,615 due to the effects of compliance as shown in the Profit and Loss Account on Page 9 and in Note 26.

In order to comply with the requirement of new UK GAAP, the Group and the Company has transitioned to FRS 102 during the period.

**Financial Position**

Borrowings have reduced from £2,247,230 to £1,801,065 during the period.

Cash Balances at the end of the period have decreased from £3,375,160 to £3,274,011.

A dividend of £663,340 for the financial period ending 26 March 2016 was declared and paid to the shareholder during the period. The directors consider that the Company has adequate financial resources to continue to operate successfully into the future.

The shareholders' funds for the Group have increased from £6,140,145 to £6,989,476. The value of shareholders' funds has increased as a result of the profit for the period less the dividend payment and as a result of the valuation of the final salary pension scheme as at March 2016 as required by FRS102 'Retirement Benefits' and detailed in Note 24 to the accounts.

# Strategic report *(continued)*

**Future prospects**

The directors remain confident about the future prospects of the business.

The trading result for the period has shown a decrease in operating profit from £905,866 for March 2015 to a loss of £21,467 for March 2016 before the transition.

The planned fleet replacement policy will continue as will the revision and updating of services to meet the requirements of present and potential customers. The directors continue to monitor the progress of the network making changes where demand or potential demand suggests that a better overall service can be given, thereby encouraging passenger growth.

The Company continues to work in partnership with both Blackpool Borough Council and Lancashire County Council on bus and tram initiatives.

The directors will continue to monitor performance and curtail costs where practical.

**Risks and uncertainties**

The directors have entered into contracts with a fuel supplier in order to fix the price of derv at an affordable level for the period 1 April 2016 to 31 March 2017.

The national Senior Citizen Concessionary Fare scheme reimbursement level is agreed at a rate that is acceptable to the Company until March 2017.

The main competitor to the bus business is Stagecoach plc who operates passenger services in certain areas of the Fylde Coast. The withdrawal of Lancashire County Council tender subsidies affected Stagecoach to a much greater extent than the company and as a result Stagecoach closed its Fleetwood depot. We have competition from an independent operator who now operates a fleet of 14 vehicles in Blackpool. The Company attempts to manage this risk by providing a network of services throughout the area to satisfy customer needs and by working closely with the local authorities in order to meet the demands of passengers.

Seasonal traffic congestion and various road schemes cause congestion in the town. These cause problems for the Company in relation to reliability and punctuality of the bus network. As a result, we are continually monitoring the situation and will be implementing a major package of service changes to mitigate a number of issues. The Directors are in contact with officers of the Council to look at the effects of the disruption and a possible re-routing strategy.

The Company's projections for the financial period ending March 2017 have been prepared and approved by the Board of Directors having taken into account the above. The projections for next year are showing a higher level of profit than the current period as the Directors believe that investment is needed in the business. In particular, the Directors are looking to invest in its employees, to engage with and increase its customer base and to continue investing in the bus fleet.

The Directors consider that the Company has adequate financial resources to continue to operate successfully into the future despite these circumstances and continue to adopt the going concern basis in the preparation of the annual report and accounts.

## Strategic report *(continued)*

### Training and development

The Company is committed to the training and development of all staff.

The Company currently employs 332 bus drivers of which 125 have been put through the NVQ Level 2 in Road Passenger Transport, with 36 currently working towards the qualification. Also, 41 tram drivers have completed the NVQ Level 2 in rail services.

The Company employs 36 permanent tram conductors who all have NVQ Level 2 in Customer Service and 11 have achieved Level 3 in Customer Service.

The Company now has World Host status with 490 staff having attended World Host training.

### Environmental policy

The Company has introduced an environmental policy and seeks to adopt practices which cause least damage to the environment and is continually exploring methods of recycling materials where practical.

By order of the Board

J Carney
*Director*

Rigby Road
Blackpool
FY1 5DD

23 SEPTEMBER 2016

# Directors' report

The directors present their annual report and the audited Financial Statements of the Company for the 52 weeks ended 26 March 2016. The directors have disclosed their 'review of the business' and the indication of likely future developments in the business in the Strategic Report.

**Dividends**

The directors have approved a dividend for 2016 of £663,340 (*2015: £600,000*).

**Directors**

| | |
|---|---|
| Mr S T Brookes | - (appointed 9 November 2015) |
| Mr D Robertson | - (appointed 22 May 2015, resigned 18 October 2015) |
| Mrs J Cole | |
| Mr J Carney | - (appointed 7 July 2015) |
| Mr R L Mason | |
| Mrs S Kennerley | - (resigned 30 August 2015) |
| Mr P D S Galley | |
| Mr J Elmes | |
| Councillor M Mitchell | - (appointed 22 May 2015, resigned 18 October 2015) |
| Councillor C Wright | |
| Councillor P Evans | - (resigned 7 May 2015) |
| Councillor G Campbell | - (resigned 22 May 2015) |
| Councillor A L Cross | - (resigned 27 August 2015) |
| Mr R W Pinkett | - (appointed 9 November 2015) |
| Mrs K H Shane | - (appointed 15 January 2016) |

**Company Secretary**
Mr M Towers - (appointed 4 June 2015)

None of the directors had any interests in the shares of the Company.

**Directors' liability insurance**

The Company has affected a policy of Directors' Liability Insurance indemnifying the directors against liability at law for damages arising from any wrongful act committed by them in their respective capacities as directors but excluding any liability or claim arising from Blackpool Borough Council.

**Donations**

The Company made small charitable donations totalling £300 (*2015: £575*) to various organisations.

**Employment of disabled persons**

It is the policy of the Company that disabled persons shall be considered for employment, training, career development and promotion, on the basis of their aptitudes and abilities, in common with all employees and to this end we will be working with various organisations to explore possible partnerships.

**Employee involvement**

The Company has a policy of keeping employees informed on a regular basis, through a Consultative Committee, briefing meetings and everyday communications between management and staff, of current activities, progress and general matters of Company interest. The Company has also developed a staff intranet.

# Directors' Report *(continued)*

**Auditors**

**Statement of disclosures of information to auditors**

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware

and;

- each of the directors has taken steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

KPMG have expressed their willingness to continue in office as the Company's auditors and a resolution to reappoint them will be proposed at the Board Meeting on 23 September 2016 in accordance with section 485 of the Companies Act 2006.

Approved by the Board of Directors

And signed on behalf of the Board

J. Carney

**J Carney**
*Director*

Rigby Road
Blackpool
FY1 5DD

23 SEPTEMBER 2016

## Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
Edward VII Quay
Navigation Way
Preston
PR2 2YF
United Kingdom

## Independent auditor's report to the members of Blackpool Transport Services Limited

We have audited the financial statements of Blackpool Transport Services Limited for the period ended 26 March 2016 set out on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent Company's affairs as at 26 March 2016 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## Independent auditor's report to the members of Blackpool Transport Services Limited *(continued)*

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Liam Finnigan

**Liam Finnigan (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP,**
**Statutory Auditor**
*Chartered Accountants*
Edward VII Quay
Navigation Way
Preston
PR2 2YF

26/09/2016

# Consolidated Profit and Loss Account and Other Comprehensive Income

*for the period ended 26 March 2016*

| | *Note* | **2016** Before DBS | DBS | Total | 2015 Before DBS | DBS | Total |
|---|---|---|---|---|---|---|---|
| | | **£** | **£** | **£** | £ | £ | £ |
| **Turnover** | 3 | **22,602,398** | **-** | **22,602,398** | 22,369,474 | - | 22,369,474 |
| Cost of sales | | **(15,896,263)** | **-** | **(15,896,263)** | (16,430,858) | - | (16,430,858) |
| **Gross profit** | | **6,706,135** | **-** | **6,706,135** | 5,938,616 | | 5,938,616 |
| Administrative expenses | | **(6,751,861)** | **(172,000)** | **(6,923,861)** | (5,475,989) | (156,000) | (5,631,989) |
| Other operating income | 4 | **24,259** | **-** | **24,259** | 443,239 | - | 443,239 |
| **Operating (loss)/profit** | | **(21,467)** | **(172,000)** | **(193,467)** | 905,866 | (156,000) | 749,866 |
| Interest receivable and similar income | 6 | **21,610** | **-** | **21,610** | 15,486 | - | 15,486 |
| Interest payable and similar charges | 7 | **(56,758)** | **(90,000)** | **(146,758)** | (12,526) | (62,000) | (74,526) |
| **(Loss)/profit on ordinary activities before taxation** | 8 | **(56,615)** | **(262,000)** | **(318,615)** | 908,826 | (218,000) | 690,826 |
| Taxation on (loss)/profit on ordinary activities | 9 | **101,126** | **(11,520)** | **89,606** | (28,710) | 65,690 | 36,980 |
| **(Loss)/profit on ordinary activities after taxation** | | **44,511** | **(273,520)** | **(229,009)** | 880,116 | (152,310) | 727,806 |

## Other comprehensive income

| | | | | | | |
|---|---|---|---|---|---|---|
| Remeasurement of the net defined benefit liability | **-** | **2,124,000** | **2,124,000** | - | (1,253,000) | (1,253,000) |
| Deferred tax on defined benefit liability | **-** | **(382,320)** | **(382,320)** | - | 213,880 | 213,880 |
| Other Comprehensive income/(loss) for the period | **-** | **1,741,680** | **1,741,680** | - | (1,039,120) | (1,039,120) |
| Total comprehensive income/(loss) for the period | **44,511** | **1,468,160** | **1,512,671** | 880,116 | (1,191,430) | (311,314) |

*Note: DBS is the Group's Defined Benefit Pension Scheme.*

# Consolidated balance sheet
*At 26 March 2016*

| | Note | 2016 £ | 2016 £ | 2015 £ | 2015 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 12 | | **7,525,621** | | 8,558,255 |
| **Current assets** | | | | | |
| Stocks | 14 | **295,776** | | 251,060 | |
| Debtors | 15 | **2,155,061** | | 1,711,763 | |
| Cash at bank and in hand | | **3,274,011** | | 3,375,160 | |
| | | **5,724,848** | | 5,337,983 | |
| **Creditors:** amounts falling due within one year | 16 | **(2,484,976)** | | (2,029,358) | |
| **Net current assets** | | | **3,239,872** | | 3,308,625 |
| **Total assets less current liabilities** | | | **10,765,493** | | 11,866,880 |
| **Creditors:** amounts falling due after more than one year | 17 | | **(1,558,453)** | | (1,965,283) |
| **Provision for liabilities (including deferred tax)** | 20, 21 | | **(1,145,564)** | | (827,252) |
| **Net assets excluding pension liability** | | | **8,061,476** | | 9,074,345 |
| Pensions and similar obligations | 24 | | **(1,072,000)** | | (2,934,200) |
| **Net assets** | | | **6,989,476** | | 6,140,145 |
| **Capital and reserves** | | | | | |
| Called up share capital | 22 | | **2,789,000** | | 2,789,000 |
| Profit and loss account | | | **4,200,476** | | 3,351,145 |
| **Total shareholders' funds** | | | **6,989,476** | | 6,140,145 |

These financial statements were approved by the Board of Directors on 23/09/2016 and were signed on its behalf by:

J. Carney

**J Carney**
*Director*

Registered number 2003020

# Company balance sheet
*at 26 March 2016*

| | *Note* | 2016 £ | 2016 £ | 2015 £ | 2015 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | *12* | **7,525,621** | | 8,558,255 | |
| Investments | *13* | **285,678** | | 285,678 | |
| | | | **7,811,299** | | 8,843,933 |
| **Current assets** | | | | | |
| Stocks | *14* | **295,776** | | 251,060 | |
| Debtors | *15* | **2,155,061** | | 1,711,763 | |
| Cash at bank and in hand | | **3,274,011** | | 3,375,160 | |
| | | **5,724,848** | | 5,337,983 | |
| **Creditors:** amounts falling due within one year | *16* | **(2,770,654)** | | (2,315,036) | |
| **Net current assets** | | | **2,954,194** | | 3,022,947 |
| **Total assets less current liabilities** | | | **10,765,493** | | 11,866,880 |
| **Creditors:** amounts falling due after more than one year | *17* | | **(1,558,453)** | | (1,965,283) |
| **Provision for liabilities (including deferred tax)** | *20, 21* | | **(1,145,564)** | | (827,252) |
| **Net assets excluding pension liability** | | | **8,061,476** | | 9,074,345 |
| Pension and similar obligations | *24* | | **(1,072,000)** | | (2,934,200) |
| **Net assets** | | | **6,989,476** | | 6,140,145 |
| **Capital and reserves** | | | | | |
| Called up share capital | *22* | | **2,789,000** | | 2,789,000 |
| Profit and loss account | | | **4,200,476** | | 3,351,145 |
| **Total shareholders' funds** | | | **6,989,476** | | 6,140,145 |

These financial statements were approved by the Board of Directors on 23/07/ 2016 and were signed on its behalf by:-

J Carney
*Director*

Registered number 2003020

# Consolidated Statement of Changes in Equity

| | Called up share capital £ | Profit & loss account £ | Total equity £ |
|---|---|---|---|
| Balance at 30 March 2014 | 2,789,000 | 4,262,459 | 7,051,459 |
| Total comprehensive income for the period | | | |
| Profit or Loss | - | 727,806 | 727,806 |
| Other Comprehensive Income | - | (1,039,120) | (1,039,120) |
| Total comprehensive income for the period | - | (311,314) | (311,314) |
| Transactions with owners, recorded directly in equity | | | |
| Dividends | - | (600,000) | (600,000) |
| Total contributions by and distributions to owners | - | (600,000) | (600,000) |
| Balance at 28 March 2015 | 2,789,000 | 3,351,145 | 6,140,145 |

| | Called up share capital £ | Profit & loss account £ | Total equity £ |
|---|---|---|---|
| Balance at 29 March 2015 | 2,789,000 | 3,351,145 | 6,140,145 |
| Total comprehensive income for the period | | | |
| Profit or Loss | - | (229,009) | (229,009) |
| Other Comprehensive Income | - | 1,741,680 | 1,741,680 |
| Total comprehensive income for the period | - | 1,512,671 | 1,512,671 |
| Transactions with owners, recorded directly in equity | | | |
| Dividends | - | (663,340) | (663,340) |
| Total contributions by and distributions to owners | - | (663,340) | (663,340) |
| **Balance at 26 March 2016** | **2,789,000** | **4,200,476** | **6,989,476** |

# Company Statement of Changes in Equity

| | Called up share capital £ | Profit & loss account £ | Total equity £ |
|---|---|---|---|
| Balance at 30 March 2014 | 2,789,000 | 4,262,459 | 7,051,459 |
| Total comprehensive income for the period | | | |
| Profit or Loss | - | 727,806 | 727,806 |
| Other Comprehensive Income | - | (1,039,120) | (1,039,120) |
| Total comprehensive income for the period | - | (311,314) | (311,314) |
| Transactions with owners, recorded directly in equity | | | |
| Dividends | - | (600,000) | (600,000) |
| Total contributions by and distributions to owners | - | (600,000) | (600,000) |
| Balance at 28 March 2015 | 2,789,000 | 3,351,145 | 6,140,145 |

| | Called up share capital £ | Profit & loss account £ | Total equity £ |
|---|---|---|---|
| Balance at 29 March 2015 | 2,789,000 | 3,351,145 | 6,140,145 |
| Total comprehensive income for the period | | | |
| Profit or Loss | - | (229,009) | (229,009) |
| Other Comprehensive Income | - | 1,741,680 | 1,741,680 |
| Total comprehensive income for the period | - | 1,512,671 | 1,512,671 |
| Transactions with owners, recorded directly in equity | | | |
| Dividends | - | (663,340) | (663,340) |
| Total contributions by and distributions to owners | - | (663,340) | (663,340) |
| **Balance at 26 March 2016** | **2,789,000** | **4,200,476** | **6,989,476** |

# Consolidated cash flow statement

*for the period ended 26 March 2016*

| | 2016<br>£000 | 2015<br>£000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit for the year | **(229,009)** | 727,806 |
| Adjustments for: | | |
| Depreciation, amortisation and impairment | **1,374,193** | 1,293,749 |
| Net interest payable and similar charges | **146,758** | 74,526 |
| Net Interest receivable and similar charges | **(21,610)** | (15,486) |
| Loss/(gain) on sale of tangible fixed assets | **(10,616)** | (16,258) |
| Amortisation of Deferred income | **(25,325)** | (25,325) |
| Taxation | **(89,606)** | (36,980) |
| (Increase)/decrease in trade and other debtors | **(443,298)** | (456,883) |
| (increase)/decrease in stock | **(44,716)** | 54,080 |
| Increase in trade and other creditors | **500,693** | 142,714 |
| Increase in provision and employee benefits | **272,000** | 156,000 |
| Decrease in 3rd Party Provision | **(55,017)** | (52,533) |
| Interest received | **21,610** | 15,486 |
| Tax paid | **-** | (188,578) |
| **Net cash from operating activities** | **1,396,057** | 1,672,318 |
| **Cash flows from investing activities** | | |
| Proceeds from sale of tangible fixed assets | **13,678** | 25,392 |
| Acquisition of tangible fixed assets | **(344,620)** | (306,079) |
| **Net cash from investing activities** | **(330,942)** | (280,687) |
| **Cash flows from financing activities** | | |
| Proceeds from New Loan | **-** | 506,193 |
| Repayment of debt | **(446,166)** | (277,778) |
| Interest paid | **(56,758)** | (12,526) |
| Dividends paid | **(663,340)** | (600,000) |
| **Net cash from financing activities** | **(1,166,264)** | (384,111) |
| Net (decrease)/increase in cash and cash equivalents | **(101,149)** | (1,007,520 |
| Cash and cash equivalents at 1 January | **3,375,160** | 2,367,640 |
| **Cash and cash equivalents at 31 December** | **3,274,011** | 3,375,160 |

# Notes

*(forming part of the financial statements)*

## 1 Accounting policies

Blackpool Transport Services Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. Blackpool Transport Services Limited is a public benefit entity that provide public transport services.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statement are rounded to nearest £. Whilst the accounts are presented to the nearest £, the information provided by Blackpool Council's actuary in respect of the Pension Scheme numbers is to the nearest £'000 and is disclosed as such.

In the transition to FRS 102 from former UK GAAP, the Group has made some measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 26.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. None of these exemptions have been taken in these financial statements.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- The disclosures required by FRS102.11 Basic Financial Instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group and Company has not retrospectively changed its accounting under former UK GAAP for derecognition of financial assets and liabilities before the date of transition.

### *1.1 Measurement convention*

The financial statements are prepared on the historical cost basis.

### *1.2 Going Concern*

In presenting the financial statements on a going concern basis, the directors have considered the Group's business activities together with factors likely to affect future performance and financial position.

At 26 March 2016, the Group has net current assets of £3,239,872 *(2015: £3,308,625)*, including a cash balance of £3,274,011 (*2015: £3,375,160*). The Group has produced cash flow forecasts for the next 12 months which demonstrate that it is expected to have sufficient cash to operate throughout this period.

After making appropriate enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of these financial statements.

### *1.3 Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries Seagull Coaches Limited and Fylde Transport Limited.

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***1.4 Basic financial instruments***

*Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

*Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

***1.5 Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings 50 years
- plant and equipment 3 to 10 years
- fixtures and fittings 3 to 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Depreciation is not provided on freehold land.

On other assets it is provided on cost in equal annual instalments over the estimated useful lives as follows:

| | |
|---|---|
| Freehold buildings | - 50 years |
| Short leasehold buildings | - 20 years |
| Buses, trams and motor vehicles | - 3 to 20 years |
| Second - hand buses and coaches | - on the estimated useful lives of the vehicles |
| Plant, equipment, fixtures and fittings | - 3 to 10 years |

The Company has a programme for the major refurbishment of tramcars so as to extend their useful service lives. Such refurbished trams are being written down over fifteen years.

The Company has also put in place a programme for the refurbishment of part of its bus fleet, to extend the life of the vehicles and the costs will be depreciated over the revised useful life of the vehicle.

Assets under construction are not subject to depreciation until the assets are bought into use.

***1.6 Government grants***

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

***1.7 Investments***

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

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.8 Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

### *1.9 Provisions*

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

### *1.10 Expenses*

*Interest receivable and Interest payable*

Interest income and interest payable are recognised in profit or loss as they accrue.

### *1.11 Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### *1.12 Employee benefits*

*Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.12 Employee benefits (continued)*

*Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

## 2 Acquisition and goodwill

The cumulative amount of goodwill written off to reserves is £209,962 (*2015: £209,962*).

## 3 Turnover

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Ticket sales | **16,423,746** | 15,781,394 |
| Concessionary sales | **4,807,135** | 5,023,258 |
| Contract sales | **1,044,208** | 1,247,626 |
| Advertisement sales | **327,301** | 317,197 |
| | **22,602,390** | 22,369,475 |

All turnover is derived from UK operations (2015: same) and is recognised when the service is delivered.

## 4 Other operating income

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Engineering recharges | **20,703** | 396,747 |
| Other income | **3,556** | 46,492 |
| | **24,259** | 443,239 |

# Notes *(continued)*

## 5 Information regarding directors and employees

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Directors' emoluments | **258,753** | 209,523 |

| | **No** | No |
|---|---|---|
| Number of executive directors who were members of a defined benefit pension scheme during the period | **-** | - |

The emoluments for the highest paid director were £95,000 for the period ended 2016 (*2015: £86,294*).

The non-executive directors received £767 in emoluments from the Company during the period ended 2016 (*2015: £nil*).

The contributions made by the Company into a money purchase pension scheme on behalf of directors are £11,431 (*2015: £9,718*). For the highest paid director the contributions by the Company to a money purchase pension scheme were £4,750 (*2015: £3,882*).

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| *Employee costs during the period* | | |
| Wages and salaries | **12,859,573** | 11,941,460 |
| Social security costs | **1,033,407** | 970,615 |
| Other pension costs (note 24) | **426,104** | 489,050 |
| | **14,319,084** | 13,401,125 |

| | **2016** | 2015 |
|---|---|---|
| *Average number of persons employed* | | |
| Traffic and engineering | **571** | 547 |
| Administration | **63** | 52 |
| | **634** | 599 |

## 6 Interest receivable and similar income

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Interest on deposit account | **21,460** | 15,248 |
| Other interest | **150** | 238 |
| | **21,610** | 15,486 |

# Notes *(continued)*

## 7 Interest payable and similar charges

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Finance charges – finance leases and hire purchase contracts | **56,758** | 12,526 |
| Net interest expense on net defined benefit liabilities | **90,000** | 62,000 |
| | **146,758** | 74,526 |

## 8 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

| Auditor's remuneration: | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Audit of these financial statements | **25,930** | 26,150 |
| Taxation compliance services | **5,820** | 5,650 |
| All other services | **850** | 850 |

## 9 Taxation

**Total tax expense/(credit) recognised in the profit and loss account, other comprehensive income and equity**

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **£** | **£** | £ | £ |
| *Current tax* | | | | |
| Current tax on income for the period | | **19,585** | | 46,908 |
| Adjustment in respect of prior year | | **-** | | (198) |
| Total current tax | | **19,585** | | 46,610 |
| *Deferred tax (see note 20)* | | | | |
| Origination and reversal of timing differences | **(120,711)** | | (17,900) | |
| Pension Scheme | **393,840** | | (279,570) | |
| Total deferred tax | | **273,129** | | (297,470) |
| Total tax | | **292,714** | | (250,860) |

## Notes *(continued)*

**9 Taxation** *(continued)*

| | 2016 £000 Current tax | £000 Deferred tax | £000 Total tax | 2015 £000 Current tax | £000 Deferred tax | £000 Total tax |
|---|---|---|---|---|---|---|
| Recognised in Profit and loss account | **19,585** | **(109,191)** | **(89,606)** | 46,610 | (83,590) | (36,980) |
| Recognised in other comprehensive income | **-** | **382,320** | **382,320** | - | (213,880) | (213,880) |
| Total tax | **19,585** | **273,129** | **292,714** | 46,610 | (297,470) | (250,860) |

**Reconciliation of effective tax rate**

| | 2016 £000 | 2015 £000 |
|---|---|---|
| (Loss) / profit for the year | **(229,009)** | 727,806 |
| Total tax credit/ (expense) | **89,606** | 36,980 |
| (Loss) / Profit excluding taxation | **(318,615)** | 690,826 |
| Tax (credit)/expense using the UK corporation tax rate of 20 % (2015: 21 %) | **(63,723)** | 145,073 |
| Non-deductible expenses | **52,966** | (65,531) |
| Income not taxable | **(5,065)** | (5,318) |
| Fixed asset differences | **6,547** | 4,750 |
| Group relief claimed | **(44,577)** | (145,157) |
| Adjust opening deferred tax rate to closing rate | **(35,754)** | 29,401 |
| Under / (over) provided in prior years | - | (198) |
| Total tax (credit) / expense included in profit or loss | **(89,606)** | (36,980) |

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 26 March 2016 has been calculated based on these rates. This will reduce the company's future current tax charge and deferred tax liability at 26 March accordingly.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016.

**10 Profit of parent company**

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss after tax for the financial period amounted to £229,009 *(2015: £727,806, profit)*.

**11 Equity dividends**

| | 2016 £ | 2015 £ |
|---|---|---|
| £0.2378 per ordinary share *(2015: £0.2151)* | **663,340** | 600,000 |

# Notes *(continued)*

## 12 Tangible fixed assets (Group and Company)

| | Freehold land and buildings £ | Short leasehold land and buildings £ | Buses, trams and motor vehicles £ | Plant equipment fixtures & fittings £ | Total £ |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| At beginning of period | 1,525,565 | 160,567 | 17,902,148 | 2,714,387 | 22,302,667 |
| Additions | - | - | 74,075 | 270,545 | 344,620 |
| Disposals | - | - | (314,151) | (6,589) | (320,740) |
| At end of period | 1,525,565 | 160,567 | 17,662,072 | 2,978,343 | 22,326,547 |
| ***Accumulated depreciation*** | | | | | |
| At beginning of period | 410,666 | 83,061 | 11,271,034 | 1,979,651 | 13,744,412 |
| Charge for period | 24,706 | 8,028 | 1,142,740 | 198,719 | 1,374,193 |
| Disposals | - | - | (314,151) | (3,528) | (317,679) |
| At end of period | 435,372 | 91,089 | 12,099,623 | 2,174,842 | 14,800,926 |
| ***Net book value*** | | | | | |
| **At 26 March 2016** | **1,090,193** | **69,478** | **5,562,449** | **803,501** | **7,525,621** |
| At 28 March 2015 | 1,114,899 | 77,506 | 6,631,114 | 734,736 | 8,558,255 |

Included in the total net book value of fixed assets is £2,044,327 *(2015: £2,916,994)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £212,738 *(2015: £168,385)*.

## 13 Investments

| **The Company** | **Shares in subsidiary undertakings £** |
|---|---|
| **Cost** | |
| At 28 March 2015 and 26 March 2016 | 683,506 |
| **Provision for impairment** | |
| At 28 March 2015 and 26 March 2016 | 397,828 |
| **Net book value** | |
| At 28 March 2015 and 26 March 2016 | **285,678** |

The investment represents the purchase of 100% of the share capital of Seagull Coaches Limited, a holding company which owns 100% of the share capital of Fylde Transport Limited, a dormant company. Both companies are registered in England and Wales. The impairment of £397,828 (2015: £397,828) reflects the reduction of the investment in Seagull Coaches Limited to its net realisable value and was recorded in the period ended 30 March 2008.

# Notes *(continued)*

## 14 Stocks

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| | **£** | £ | **£** | £ |
| Raw materials and consumables | **295,776** | 251,060 | **295,776** | 251,060 |

There is no material difference between the balance sheet value of stocks and their replacement cost. Consumables recognised as cost of sales in the period amounted to £2,037,753 (2015: £2,198,526)

## 15 Debtors

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| | **£** | £ | **£** | £ |
| Trade debtors | **216,339** | 159,442 | **216,339** | 159,442 |
| Amount receivable from parent company | **173,937** | 118,523 | **173,937** | 118,523 |
| Other debtors | **204,761** | 582,796 | **204,761** | 582,796 |
| Corporation tax | **-** | 49,345 | **-** | 49,345 |
| Prepayments and accrued income | **1,560,024** | 801,657 | **1,560,024** | 801,657 |
| Due within one year | **2,155,061** | 1,711,763 | **2,155,061** | 1,711,763 |

## 16 Creditors: amounts falling due within one year

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| | **£** | £ | **£** | £ |
| Obligations under hire purchase contracts | **403,486** | 468,146 | **403,486** | 468,146 |
| Trade creditors | **525,293** | 553,640 | **525,296** | 553,640 |
| Amount payable to parent company | **280,122** | 11,814 | **280,122** | 11,814 |
| Amount owed to group undertakings | **-** | - | **285,675** | 285,678 |
| Corporation tax | **19,585** | - | **19,585** | - |
| Taxation and social security | **249,577** | 240,899 | **249,577** | 240,899 |
| Other creditors | **504,983** | 432,735 | **504,983** | 432,735 |
| Accruals and deferred income | **476,605** | 296,799 | **476,605** | 296,799 |
| Grant and legacy (see note 18) | **25,325** | 25,325 | **25,325** | 25,325 |
| | **2,484,976** | 2,029,358 | **2,770,654** | 2,315,036 |

## Notes *(continued)*

### 17 Creditors: amounts falling due after one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **£** | £ | **£** | £ |
| Obligations under hire purchase contracts | **1,397,579** | 1,779,084 | **1,397,579** | 1,779,084 |
| Grant and legacy (see note 18) | **160,874** | 186,199 | **160,874** | 186,199 |
| | **1,558,453** | 1,965,283 | **1,558,453** | 1,965,283 |

### 18 Deferred income

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **£** | £ | **£** | £ |
| **Grants and legacy:** | | | | |
| Opening balance at 28 March 2015 | **211,524** | 236,849 | **211,524** | 236,849 |
| Released to profit and loss account | **(25,325)** | (25,325) | **(25,325)** | (25,325) |
| Closing balance at 26 March 2016 | **186,199** | 211,524 | **186,199** | 211,524 |
| Less deferred income falling due within one year | **(25,325)** | (25,325) | **(25,325)** | (25,325) |
| Deferred income falling due after more than one year | **160,874** | 186,199 | **160,874** | 186,199 |

### 19 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **£000** | £000 | **£000** | £000 |
| **Creditors falling due more than one year** | | | | |
| Hire Purchase liabilities | **1,397,579** | 1,779,084 | **1,397,579** | 1,779,084 |
| | **1,397,579** | 1,779,084 | **1,397,579** | 1,779,084 |
| **Creditors falling due within less than one year** | | | | |
| Hire Purchase liabilities | **403,486** | 468,146 | **403,486** | 468,146 |
| | **403,486** | 468,146 | **403,486** | 468,146 |

# Notes *(continued)*

## 19 Interest-bearing loans and borrowings *(continued)*

Hire Purchase liabilities are payable as follows:

| **Group and Company** | **Minimum payments 2016 £000** | Minimum payments 2015 £000 |
|---|---|---|
| Less than one year | **403,486** | 468,146 |
| Between one and five years | **1,136,426** | 1,284,463 |
| More than five years | **261,153** | 494,621 |
| | **1,801,065** | 2,247,230 |

## 20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| **Group and Company** | **Assets 2016 £000** | **Liabilities 2016 £000** | **Net 2016 £000** | Assets 2015 £000 | Liabilities 2015 £000 | Net 2015 £000 |
|---|---|---|---|---|---|---|
| Accelerated capital allowances | - | **(433,805)** | **(433,805)** | - | (554,516) | (554,516) |
| Employee benefits | **192,960** | - | **192,960** | 586,800 | - | 586,800 |
| Net tax (liabilities) / assets | **192,960** | **(433,805)** | **(240,845)** | 586,800 | (554,516) | 32,284 |

## 21 Provisions

| **Group and Company** | **Third party liability £000** | **Maintenance Provision** | **Total £000** |
|---|---|---|---|
| Balance at 28 March 2015 | 859,736 | - | 859,736 |
| Provisions made during the period | 296,075 | 100,000 | 396,075 |
| Provisions used during the period | (351,092) | - | (351,092) |
| **Balance at 26 March 2016** | **804,719** | **100,000** | **904,719** |

**Third party liability**

This provision relates to claims or anticipated claims for compensation as a result of accidents caused by bus and tram operations. The claims handler, Hill Dickinson, assess the provision based on insurance industry best practise. Whilst many claims are settled within a few months of the incident, however there certain claims that relate to minors or serious injuries can take years to settle.

**Maintenance Provision**

This provision relates to the large maintenance and refurbishment costs that is expected in year eight (2020/21) of the contract to operate the Blackpool and Fleetwood Tramway. The provision has been calculated using information provided by the tram manufacturer and their current price list of parts.

## Notes *(continued)*

### 22 Called up share capital

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| ***Allotted and fully paid*** | | |
| 2,789,000 ordinary shares of £1 each | **2,789,000** | 2,789,000 |

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.

### 23 Financial commitments

Capital commitments are as follows:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| **Group and Company** | | |
| Contracted for but not provided in the financial statements | **2,219,770** | 107,377 |

Non-cancellable operating lease rentals are payable as portions:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other** | Land and buildings | Other |
| | **£** | **£** | £ | £ |
| **Group and Company** | | | | |
| Expiry date | | | | |
| - Less than one year | - | - | - | - |
| - between two and five years | - | - | - | - |
| - More than five years | **35,500** | **3,488** | 35,500 | 3,488 |

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

### 24 Employee Benefits

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| *Cost for the pension scheme were:* | | |
| Lancashire County Council | **174,000** | 167,000 |
| Blackpool Transport Services Limited Retirement Benefit Scheme | **252,104** | 322,050 |
| | **426,104** | 489,050 |

#### Lancashire County Pension Fund

The Lancashire County Pension fund is a defined benefit scheme. Under the definitions set out in FRS 102 'Retirement Benefits', this is a multi-employer scheme. Blackpool Transport Services Limited is able to identify its share of the underlying assets and liabilities of the Fund and so the details given below relate solely to the Company's share.

The assets of the scheme are held separately from those of the Company. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 31 March 2015 using the projected unit funding method

# Notes *(continued)*

## 24 Employee Benefits *(continued)*

Based on this valuation, the actuaries advised that the employers' cost of pensions should be nil with effect from 1 April 2016 *(nil % for the three years ended 31 March 2017)*.

During the period, the company funded additional contributions of £4,321 to enhance the benefits of members who have been allowed to retire early *(2015: £15,532)*.

In determining this pension cost, the most significant assumptions are the differentials between the assumed rate of return from investments and the assumed rates of increase in pensionable pay and pensions. The assumptions are that the future investment returns will be 2.30% higher than the rate of pensionable pay increases, and 3.80% higher than the rate of future pension increases. The pensions cost was determined using the projected unit method of funding.

As the Company is one of many bodies participating in the Fund, it is not appropriate to disclose either the current level of funding in the Fund as a whole, or the market value of the total Fund's assets.

*Net pension liability*

| | 2016<br>£000 |
|---|---|
| Defined benefit obligation | (37,002) |
| Plan assets | 35,930 |
| Net Pension liability | (1,072) |

*Movements in present value of defined benefit obligation*

| | 2016<br>£000 |
|---|---|
| At 29 March 2015 | 38,779 |
| Interest expense | 1,176 |
| Contributions by members | 35 |
| Curtailment | - |
| Current Service Cost | 174 |
| Remeasurement: actuarial gains | (1,520) |
| Benefits paid | (1,642) |
| At 26 March 2016 | 37,002 |

# Notes *(continued)*

## 24 Employee Benefits *(continued)*

*Movements in fair value of plan assets*

| | 2016 £000 |
|---|---|
| At 29 March 2015 | **35,845** |
| Interest on plan assets less interest | **1,086** |
| Remeasurements of assets | **604** |
| Administration costs | **(2)** |
| Contributions by member | **35** |
| Contribution by Employer | **4** |
| Benefits paid | **(1,642)** |
| At 26 March 2016 | **35,930** |

*Expense recognised in the profit and loss account*

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Current service cost | **174** | 156 |
| Net financing costs in respect of pension scheme | **90** | 62 |
| Administration expenses | **2** | 2 |
| Total expense recognised in profit or loss | **266** | 220 |

The total amount recognised in the statement of other comprehensive income in respect of actuarial gains is £2,124,000 *(2015: £1,253,000)*.

**Scheme assets**

The fair values of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, were:

| | 2016 £000 | % | 2015 £000 | % |
|---|---|---|---|---|
| Equities | **12,358** | 34.4 | 17,672 | 49.3 |
| Bonds | **1,438** | 4.0 | 1,613 | 4.5 |
| Property | **3,449** | 9.6 | 3,620 | 10.1 |
| Cash/liquidity | **1,222** | 3.4 | 1,721 | 4.8 |
| Other | **17,463** | 48.6 | 11,219 | 31.3 |
| Total market value of assets | **35,930** | | 35,845 | |
| Actual return on plan assets | **1,691** | | 1,402 | |

# Notes *(continued)*

## 24 Employee Benefits *(continued)*

| Principal actuarial assumptions used by the actuary in this valuation at the year end were as follows: | **2016** | 2015 |
|---|---|---|
| | **%** | % |
| Discount rate | **3.4** | 3.1 |
| Inflation assumption (CPI) | **2.0** | 2.0 |
| Future salary increases | **3.5** | 3.5 |
| Rate of increase in pensions in payment and deferred pensions | **2.0** | 2.0 |

Last full actuarial valuation was performed on 31 March 2013. To measure the defined benefit obligation as at 26 March 2016, the Company adjusted salary levels by 3.5 %.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

In valuing the liabilities of the pension fund at 26 March 2016, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and projections. The assumed future life expectancies are as follows:

- Current pensioner aged 65: 23 years (male), 25.6 years (female).
- Future retiree upon reaching 65: 25.2 years (male), 27.9 years (female).

**Blackpool Transport Services Limited Retirement Benefit Scheme**

On 1 September 1996, the Company introduced a new pension scheme, the Blackpool Transport Services Limited Retirement Benefit Scheme, for those employees not eligible to be members of the Local Government Superannuation Scheme. In doing this, the Company has closed the scheme administered by Save and Prosper and transferred all members to the new scheme where the funds are invested with Standard Life. The scheme was administered by Jardine Lloyd Thompson Benefit Consultants until 1 September 2008 when the administration role was transferred to WFS Consulting, now Wingate Benefit Solutions.

The Blackpool Transport Services Limited Retirement Benefit Scheme is a defined contribution scheme with members opting to pay contributions at 3%, 4% and 5% of pensionable earnings with the Company matching the employees' level of contributions.

As at 26 March 2016, contributions of £33,439 (*2015: £35,877*) for these members due in respect of the current reporting period had not been paid over to the scheme.

In October 2012 the government implemented Workplace Pension Reforms which meant that Blackpool Transport were required to automatically enrol all qualifying employees who were not in a pension scheme into a 'qualifying pension scheme' from a certain date (known as the 'staging date'). The Blackpool Transport Limited Retirement Benefit Scheme meets the qualifying criteria as set by government and is, therefore, being used as the pension scheme to automatically enrol employees into. The Company's 'staging date' was 1 November 2015. The legislation allows for a three month waiting period which the Company adopted and qualifying employees were auto enrolled on 1 February 2016.

Employees who were in the scheme prior to 'auto-enrolment' continue to pay contributions of 3%, 4% or 5% of pensionable earnings, with the Company matching the chosen contribution. Following auto-enrolment, all new entrants to the pension scheme will pay contributions under the government's default option where minimum contributions are based on 'qualifying earnings'. From 1 February 2016, employees who were auto enrolled into the scheme and who have not exercised their option to 'opt out' and other employees who were allowed to (under government legislation) and have joined the scheme have paid a contribution of 1% of qualifying earnings. The Company have also paid a contribution of 1% of qualifying earnings for all these members.

As at 26 March 2016, contributions of £7,885 (*2015: £6,572*) for these members due in respect of the current reporting period had not been paid over to the scheme.

## Notes *(continued)*

### 25 Related party transactions and ultimate controlling party

Blackpool Borough Council owns 100% of the ordinary share capital of Blackpool Transport Services Limited. Blackpool Borough Council is the ultimate controlling party of Blackpool Transport Services Limited. Blackpool Borough Council heads the largest and smallest group for which the results of Blackpool Transport Services Limited are consolidated. Copies of its consolidated financial statements are available to the public from the Chief Financial Officer at PO Box 4, Town Hall, Blackpool, FY1 1NA.

Turnover for the period ended 26 March 2016 includes £392,042 (*2015: £439,995*) received from Blackpool Borough Council in respect of income for contracted services.

Other operating income for the period ended 26 March 2016 includes £24,259 (*2015: £369,741*) charged to Blackpool Borough Council in respect of tram overhead line maintenance and other sundry services.

Direct costs for the period ended 26 March 2016 include £100,000 (*2015: £100,000*) charged by Blackpool Borough Council in respect of tramway rental and other charges.

Administration charges for the period ended 26 March 2016 include £307,394 (*2015: £291,056*) charged by Blackpool Borough Council in respect of service charges, rates and other charges.

Amounts due from and owed to Blackpool Borough Council are shown in notes 15 and 16 respectively.

### 26 Explanation of transition to FRS 102 from former UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 26 March 2016 and the comparative information presented in these financial statements for the period ended 28 March 2015.

*Group*

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its former basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

# Notes *(continued)*

## 26 Explanation of transition to FRS 102 from former UK GAAP *(continued)*

*Reconciliation of equity*

| Group | Note | 28 March 2014 UK GAAP | 28 March 2014 Effect of transition to FRS 102 | 28 March 2014 FRS 102 | 26 March 2015 UK GAAP | 26 March 2015 Effect of transition to FRS 102 | 26 March 2015 FRS 102 |
|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ | £ |
| **Fixed assets** | | | | | | | |
| Tangible fixed assets | | 7,846,758 | - | 7,846,758 | **8,558,255** | - | **8,558,255** |
| | | 7,846,758 | - | 7,846,758 | **8,558,255** | - | **8,558,255** |
| **Current assets** | | | | | | | |
| Stocks | | 305,140 | - | 305,140 | **251,060** | - | **251,060** |
| Debtors (due within one year) | | 1,205,537 | - | 1,205,537 | **1,711,763** | - | **1,711,763** |
| Cash at bank and in hand | | 2,367,640 | - | 2,367,640 | **3,375,160** | - | **3,375,160** |
| | | 3,878,317 | - | 3,878,317 | **5,337,983** | - | **5,337,983** |
| **Creditors: amounts due within one year** | | (1,742,799) | - | (1,742,799) | **(2,029,358)** | - | **(2,029,358)** |
| **Net current assets** | | 2,135,518 | - | 2,135,518 | **3,308,625** | - | **3,308,625** |
| **Creditors: amounts falling due after more than one year** | | (290,362) | - | (290,362) | **(1,965,283)** | - | **(1,965,283)** |
| **Provisions for liabilities** | | | | | | | |
| Deferred tax liability | *a* | (572,416) | 307,000 | (265,416) | **(554,516)** | **587,000** | **32,484** |
| Other provisions | | (912,269) | - | (912,269) | **(859,736)** | - | **(859,736)** |
| Pension liability | *a* | (1,155,770) | (307,000) | (1,462,770) | **(2,347,200)** | **(587,000)** | **(2,934,200)** |
| | | (2,930,817) | - | (2,930,817) | **(5,726,735)** | - | **(5,726,735)** |
| **Net assets** | | 7,051,459 | - | 7,051,459 | **6,140,145** | - | **6,140,145** |

| Group | 28 March 2014 UK GAAP | 28 March 2014 Effect of transition to FRS 102 | 28 March 2014 FRS 102 | 26 March 2015 UK GAAP | 26 March 2015 Effect of transition to FRS 102 | 26 March 2015 FRS 102 |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Capital and reserves** | | | | | | |
| Called up share capital | 2,789,000 | - | 2,789,000 | **2,789,000** | - | **2,789,000** |
| Profit and loss account | 4,262,459 | - | 4,262,459 | **3,351,145** | - | **3,351,145** |
| **Shareholders' equity** | 7,051,459 | - | 7,051,459 | **6,140,145** | - | **6,140,145** |

# Notes *(continued)*

## 26 Explanation of transition to FRS 102 from former UK GAAP *(continued)*

*Reconciliation of consolidated profit and loss account and other comprehensive income as at 28 March 2015.*

| | Note | Adopted UK GAAP | 2015 Effect of transition to FRS 102 | FRS 102 |
|---|---|---|---|---|
| | | £ | £ | £ |
| **Turnover** | | **22,367,474** | | **22,369,474** |
| Cost of sales | | **(16,430,858)** | | **(16,430,858)** |
| **Gross profit** | | **5,938,616** | | **5,938,616** |
| Administrative expenses | b | **(5,626,989)** | **(5,000)** | **(5,631,989)** |
| Other operating income | | **443,239** | | **443,239** |
| **Group Operating profit/(loss)** | | **754,866** | **(5,000)** | **749,866** |
| Other interest receivable and similar income | | **15,486** | **-** | **15,486** |
| Other Finance Income | c | **548,000** | **(610,000)** | **(62,000)** |
| Interest payable and similar charges | | **(12,526)** | | **(12,526)** |
| **Profit/(loss) on ordinary activities before taxation** | | **1,305,826** | **(615,000)** | **690,826** |
| Taxation | | **(86,020)** | **123,000** | **36,980** |
| **Profit on ordinary activities after taxation** | | **1,219,806** | **(492,000)** | **727,806** |

*Changes due to different treatment of pension scheme interest and administration costs in FRS102.*

| | | | |
|---|---|---|---|
| Other comprehensive income | | | |
| Remeasurement of the net defined benefit liability | (1,868,000) | 615,000 | (1,253,000) |
| Deferred taxation on other comprehensive income | 336,880 | (123,000) | 213,880 |
| | (1,531,120) | 492,000 | (1,039,120) |
| Total Comprehensive Income for the period | (311,314) | - | (311,314) |

The reconciling figures above are as a result of the differing treatment of notional pension scheme interest, administrative costs, re-valuation amounts and the resulting deferred tax between FRS17 and FRS102. Under FRS10, charges and interest under FRS17 were included on the statement of Recognised Gains and Losses (now Statement of Other Comprehensive income) are now shown in the profit and loss account. This is a movement between the two sections of the statement of profit and no change to the overall transfer to reserves results. In addition, deferred tax on the Pension Scheme Asset/Liability was, Under FRS17, deducted from the pension scheme asset/liability on the balance sheet whereas under FRS102 it is, included in the overall Deferred Tax provision, thus inflating the Pension Scheme Deficit.