

**BLACKPOOL TRANSPORT SERVICES
LIMITED**

Report and Financial Statements

27 March 2005



BLACKPOOL TRANSPORT SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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BLACKPOOL TRANSPORT SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr S J Burd
Mr D R Eaves
Mr W J B Gibson
Mr T A Leach
Mr J S Kearsley (non executive)
Councillor J A Bamborough (non executive)
Councillor Mrs M A Cresswell (non executive)
Councillor Mrs J M Delves (non executive)
Councillor N E Hardy (non executive)
Councillor L Kersh (Chairman) (non executive)

SECRETARY

Mr T A Leach

REGISTERED OFFICE

Rigby Road
Blackpool
FY1 5DD

BANKERS

National Westminster Bank plc
PO Box 1
20 Corporation Street
Blackpool
FY1 1EL

SOLICITORS

Cuddy Woods & Cochrane
41 Springfield Road
Blackpool
FY1 1QE

Donns
PO Box 41
The Observatory
Chapel Walks
Manchester
M60 1DZ

Forbes Solicitors
Rutherford House
4 Wellington Street
(St Johns)
Blackburn
BB1 8DD

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Manchester

BLACKPOOL TRANSPORT SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited Financial Statements of the company for the 52 weeks ended 27 March 2005.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS

Group Results

Turnover for the year was £19,682,422, up from £18,641,492 in the previous year, an increase of £1,040,930 or 5.6%, with the Tramway showing some welcome improvements over the previous year. The increased lifestyle line contract has also made a positive impact.

Direct Costs have increased by 9.9% over last year, whilst administration expenses have been held to an increase of 4.1%. Significant increases in direct costs are diesel, electricity for trams and increased depreciation charges.

Other operating income has increased by 12.9% up from £382,729 to £432,239.

Interest receivable and similar income is unchanged on the previous year, whilst interest payable and similar charges has increased over the previous year as a result of further investment in the bus fleet.

The profit before taxation of £947,410 is down on last year by 32% from £1,390,044.

Financial Position

Borrowings have fallen to £2,157,648 from £2,675,982 a year ago.

Cash balances at the end of the year have decreased to £805,907, down from £1,785,080. The increased dividend payments to the Borough Council to assist in the maintenance of the tramway and payments to finance houses following the significant investment in new vehicles over the last two years are the main factors in this reduction.

Shareholders' funds have increased to £5,561,004 up from £5,344,814 last year.

FUTURE PROSPECTS

The company invested a further £1,060,825 in seven Dennis Trident buses which were delivered in May 2004.

The company moved into the new Town Centre premises in Market Street in December 2004 and this will assist in the better scheduling of drivers' changeovers which will reduce labour costs.

The metro network continues to make steady progress with both passengers and revenue showing increases over equivalent periods in the previous year.

The increased levels of dividend paid over the last two years to assist the Borough Council to upgrade parts of the tramway which are worn out have been reduced to a more sustainable level in the current year.

The company has set a realistic budget for 2005/2006, but the directors are conscious that unless visitor numbers increase, trading will remain difficult particularly on the Tramway.

TRAINING AND DEVELOPMENT

The Company is committed to the training and development of all its staff. The Company has put the first batch of employees through the NVQ qualification for driving staff.

The company was selected by the Confederation of Passenger Transport to trial the proposed European wide training course for bus and tram drivers.

BLACKPOOL TRANSPORT SERVICES LIMITED

DIRECTORS' REPORT (continued)

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. All seven new buses introduced into the fleet are built to the latest low emission standards and all have particulate traps to make them as environmentally friendly as current technology allows.

DIVIDENDS AND TRANSFERS TO RESERVES

The Directors will recommend the payment of a dividend of 15.28p per share (2004 - 30.42p) a total of £426,215 (2004 - £848,454) at the forthcoming Annual General Meeting. The retained profit of £216,190 (2004 - £101,371) has been taken to reserves.

TRAMWAY LEASE

Blackpool Borough Council and Lancashire County Council entered a bid with the Department for Transport for funding to bring the tramway up to LRT standards but the bid was rejected and the Borough Council are now formulating a revised bid.

Because of the bid to bring the tramway up to LRT standards, the discussion between the Borough Council and the Company has been put on hold, however, the Directors can report that there is no present prospect of a notice being served under the present lease which would place any additional financial burden upon the Group and consequently it is the view of the Directors that no financial provision is necessary.

DIRECTORS

The membership of the Board is set out on page 1. 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 has provided facilities at cost for charitable events where the company's employees are involved and in addition provided 'T' shirts at a cost of £96 for one event. The company donated £50 (2004: nil) to a children's summer bowling club.

In September 2004 the company held an open day from which all proceeds were donated to the Princess Royal Trust for carers. As well as providing labour for organising the event the company donated a cash sum of £380 (2004: nil).

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.

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.


BLACKPOOL TRANSPORT SERVICES LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'T. A. Leach', with a horizontal line underneath.

T A Leach
Company secretary

12 August 2005

BLACKPOOL TRANSPORT SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLACKPOOL TRANSPORT SERVICES LIMITED

We have audited the financial statements of Blackpool Transport Services Limited for the 52 weeks ended 27 March 2005 which comprise the consolidated profit and loss account, the statement of total recognised gains and losses, statement of movements on reserves, the balance sheets, the consolidated cash flow statement, reconciliation of net cash flow to movement in net debt, and notes to the consolidated cash flow statement 1 to 3, and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and the group is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

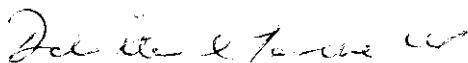
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

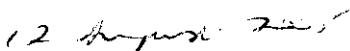
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 27 March 2005 and of the profit of the group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester



BLACKPOOL TRANSPORT SERVICES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

	Note	2005 £	2004 £
TURNOVER	3	19,682,422	18,641,492
Cost of sales		(14,652,146)	(13,333,081)
GROSS PROFIT		5,030,276	5,308,411
Administrative expenses		(4,425,918)	(4,251,245)
Other operating income	4	432,239	382,729
OPERATING PROFIT		1,036,597	1,439,895
Interest receivable and similar income	6	62,491	62,561
Interest payable and similar charges	7	(151,678)	(112,412)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	947,410	1,390,044
Taxation on profit on ordinary activities	9	(305,005)	(440,219)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		642,405	949,825
Equity dividend	11	(426,215)	(848,454)
RETAINED PROFIT FOR THE FINANCIAL YEAR		216,190	101,371

All results derive from continuing operations.

There were no recognised gains and losses for the current and prior period except as included in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses has been prepared.

BLACKPOOL TRANSPORT SERVICES LIMITED

STATEMENT OF MOVEMENTS ON RESERVES

For the 52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

	2005 £	2004 £
The Group		
Balance at 29 March 2004	2,555,814	2,454,443
Profit retained for the year	216,190	101,371
	<hr/>	<hr/>
Balance at 27 March 2005	<u>2,772,004</u>	<u>2,555,814</u>
The Company		
Balance at 29 March 2004	2,953,642	2,852,271
Profit retained for the year	216,190	101,371
	<hr/>	<hr/>
Balance at 27 March 2005	<u>3,169,832</u>	<u>2,953,642</u>

BLACKPOOL TRANSPORT SERVICES LIMITED

CONSOLIDATED BALANCE SHEET

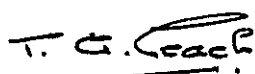
27 March 2005

(2004 – 28 March 2004)

	Note	2005 £	£	2004 £	£
FIXED ASSETS					
Tangible assets	12	<u>9,485,433</u>		<u>9,027,905</u>	
			9,485,433		9,027,905
CURRENT ASSETS					
Stocks	14	347,071		333,422	
Debtors	15	1,414,893		1,218,981	
Cash at bank and in hand		<u>805,907</u>		<u>1,785,080</u>	
		2,567,871		3,337,483	
CREDITORS: amounts falling due within one year	16	<u>(3,681,647)</u>		<u>(3,887,527)</u>	
NET CURRENT LIABILITIES			(1,113,776)		(550,044)
TOTAL ASSETS LESS CURRENT LIABILITIES			8,371,657		8,477,861
CREDITORS: amounts falling due after more than one year	17		(1,084,111)		(1,504,356)
PROVISIONS FOR LIABILITIES AND CHARGES	20		<u>(1,726,542)</u>		<u>(1,628,691)</u>
NET ASSETS			<u>5,561,004</u>		<u>5,344,814</u>
CAPITAL AND RESERVES					
Called up equity share capital	21	2,789,000		2,789,000	
Profit and loss account		<u>2,772,004</u>		<u>2,555,814</u>	
TOTAL EQUITY SHAREHOLDERS' FUNDS	22	<u>5,561,004</u>		<u>5,344,814</u>	

These financial statements were approved by the Board of Directors on 12 August 2005

Signed on behalf of the Board of Directors



T A Leach

BLACKPOOL TRANSPORT SERVICES LIMITED

COMPANY BALANCE SHEET

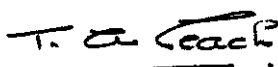
27 March 2005

(2004 – 28 March 2004)

	Note	2005 £	£	2004 £	£
FIXED ASSETS					
Tangible assets	12	9,485,433		9,027,905	
Investments	13	<u>683,506</u>		<u>683,506</u>	
			10,168,939		9,711,411
CURRENT ASSETS					
Stocks	14	347,071		333,422	
Debtors	15	1,624,654		1,428,742	
Cash at bank and in hand		<u>805,907</u>		<u>1,785,080</u>	
		2,777,632		3,547,244	
CREDITORS: amounts falling due within one year	16	<u>(4,177,086)</u>		<u>(4,382,966)</u>	
NET CURRENT LIABILITIES			(1,399,454)		(835,722)
TOTAL ASSETS LESS CURRENT LIABILITIES			8,769,485		8,875,689
CREDITORS: amounts falling due after more than one year	17		(1,084,111)		(1,504,356)
PROVISIONS FOR LIABILITIES AND CHARGES	20		<u>(1,726,542)</u>		<u>(1,628,691)</u>
NET ASSETS			<u>5,958,832</u>		<u>5,742,642</u>
CAPITAL AND RESERVES					
Called up equity share capital	21	2,789,000		2,789,000	
Profit and loss account		<u>3,169,832</u>		<u>2,953,642</u>	
TOTAL EQUITY SHAREHOLDERS' FUNDS	22		<u>5,958,832</u>		<u>5,742,642</u>

These financial statements were approved by the Board of Directors on 12 August 2005

Signed on behalf of the Board of Directors



T A Leach

BLACKPOOL TRANSPORT SERVICES LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

	Note	2005 £	2004 £
Cash inflow from operating activities	1	1,892,086	2,162,485
Returns on investments and servicing of finance	2a	(89,187)	(49,851)
Taxation		(279,052)	(252,174)
Capital expenditure and financial investment	2b	(493,655)	(488,315)
Equity dividends paid		<u>(424,227)</u>	<u>(630,792)</u>
Cash inflow before use of liquid resources and financing		605,965	741,353
Financing	2c	<u>(1,585,138)</u>	<u>(1,117,488)</u>
Decrease in cash in the period		<u><u>(979,173)</u></u>	<u><u>(376,135)</u></u>

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	£	2005 £	£	2004 £
Decrease in cash in the period	3	(979,173)		(376,135)	
Net cash outflow from financing	2c	<u>1,585,138</u>		<u>1,117,488</u>	
Change in net debt resulting from cash flows			605,965		741,353
New hire purchase agreements			<u>(1,066,804)</u>		<u>(2,509,814)</u>
Movement in net debt in the period			(460,839)		(1,768,461)
Net (debt)/funds at 29 March 2004			<u>(890,902)</u>		<u>877,559</u>
Net (debt)/funds at 27 March 2005			<u><u>(1,351,741)</u></u>		<u><u>(890,902)</u></u>

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

Note 1 – Reconciliation of Operating Profit to Operating Cash Flows

	2005 £	2004 £
Operating profit	1,036,597	1,439,895
Depreciation	1,237,394	1,005,434
Amortisation of grant	(28,414)	(547)
Profit on sale of tangible fixed assets	(32,718)	(42,457)
Decrease/(increase) in Stocks	(13,649)	3,125
(Increase)/decrease in Debtors	(195,913)	(98,693)
(Decrease)/increase in Creditors	(111,211)	(144,272)
Net Cash inflow from Operating Activities	<u>1,892,086</u>	<u>2,162,485</u>

Note 2 – Analysis of cash flows for headings netted in the cash flow statement

	2005 £	2004 £
Interest received	62,491	62,561
Interest paid	(114)	(184)
Interest element of loan payment	-	-
Interest element of finance lease and hire purchase payments	<u>(151,564)</u>	<u>(112,228)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(89,187)</u>	<u>(49,851)</u>

Note 2b – Capital Expenditure and Financial Investment

Purchase of tangible fixed assets	(636,385)	(701,259)
Sales of tangible fixed assets	40,985	42,457
Receipt of grant	<u>101,745</u>	<u>170,487</u>
Net cash outflow for capital expenditure and financial investment	<u>(493,655)</u>	<u>(488,315)</u>

Note 2c – Financing

Capital element of finance lease and hire purchase payments	<u>(1,585,138)</u>	<u>(1,117,488)</u>
Net Cash Outflow from financing	<u>(1,585,138)</u>	<u>(1,117,488)</u>

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

Note 3 - Analysis of net debt

	29 March 2004 £	Cash flow 2005 £	Other Non Cash changes £	At 27 March 2005 £
Cash in hand and bank	1,785,080	(979,173)	-	805,907
Finance lease and hire purchase obligations	(2,675,982)	1,585,138	(1,066,804)	(2,157,648)
	<u>(890,902)</u>	<u>605,965</u>	<u>(1,066,804)</u>	<u>(1,351,741)</u>

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

1. ACCOUNTING POLICIES

The Financial Statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

The Financial Statements are prepared under the historical cost convention.

Basis of Consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries Seagull Coaches Limited and Fylde Transport Limited.

Acquisitions and Goodwill

On the acquisition of a business, fair values are attributed to the Group's share of net assets.

Prior to the introduction of FRS10 where the cost of acquisition exceeded the values attributable to such assets, the difference was treated as purchased goodwill and was written off directly to reserves in the year of the acquisition.

There have been no acquisitions since FRS10 was introduced.

Tangible Fixed Assets

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 by five years and the costs are being depreciated over this period.

Grants

Capital grants are shown in deferred income less amounts transferred to revenue on the same basis as the relevant assets are depreciated.

Investments

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE ACCOUNTS

52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases and Hire Purchase Contracts

Assets held under finance leases and hire purchase contracts and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the contract. The excess of the payments over the recorded obligations are treated as finance charges which are amortised over each contract term to give a constant rate of charge on the remaining balance of the obligation. Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

Pension Costs

The transitional arrangements of Financial Reporting Standard 17 'Retirement Benefits' have been adopted.

Retirement benefits for employees are funded by contributions of the Company and employees.

Contributions for employees who transferred from Blackpool Borough Council on 20 October 1986 are paid into a defined benefit scheme run by Lancashire County Council. The expected cost of providing pensions under the scheme, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension costs are a substantially even percentage of current and anticipated future pensionable payroll.

Contributions for employees who have joined the Company since 20 October 1986 and for eligible employees who transferred from subsidiary companies are paid into a defined contribution scheme. The pension cost represents contributions payable by the Company to the fund.

2. ACQUISITION AND GOODWILL

The cumulative amount of goodwill written off is £209,962 (2004 - £209,962).

3. TURNOVER

Turnover represents the cash receipts for fares, plus the invoiced amounts for services under contract and for private hire and income net of commissions on advertising contracts. All turnover is derived from UK operations (2004: same) and is recognised when the service is delivered.

4. OTHER OPERATING INCOME

	2005 £	2004 £
Engineering recharges	282,130	246,155
Other income	150,109	136,574
	<u>432,239</u>	<u>382,729</u>

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 £	2004 £
Directors' emoluments	271,328	248,985
Number of executive directors who were members of a defined benefit pension scheme during the period	3	3

The emoluments for the Highest Paid Director were £86,414 for the 52 weeks ended 27 March 2005 (2004 - £77,019).

The non-Executive Directors received no emoluments from the Company for the 52 weeks ended 27 March 2005 (2004 - £nil).

The contributions made by the Company into a money purchase pension scheme on behalf of directors is £3,941 (2004 - £3,448).

	2005 £	2004 £
Employee costs during the period		
Wages and salaries	11,763,457	11,017,346
Social security costs	1,037,719	964,209
Other pension costs (note 25)	328,894	345,624
	<u>13,130,070</u>	<u>12,327,179</u>

	2005 No.	2004 No.
Average number of persons employed		
Traffic and engineering	647	627
Administration	56	55
	<u>703</u>	<u>682</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £	2004 £
Interest on deposit account	62,491	62,559
Other interest	-	2
	<u>62,491</u>	<u>62,561</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Finance charges – finance leases and hire purchase contracts	151,564	112,228
Other interest	114	184
	<u>151,678</u>	<u>112,412</u>

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005	2004
£	£	£
Profit on ordinary activities before taxation is after charging/(crediting):		
Profit on disposal of fixed assets	(32,718)	(42,457)
Depreciation:		
Owned assets	817,773	714,135
Assets held under leases and hire purchase contracts	419,621	291,299
	<u>1,237,394</u>	<u>1,005,434</u>
Amortisation of grant	(28,414)	(547)
Auditors' remuneration - audit	22,750	20,700
- non audit	18,000	12,900
Reorganisation costs	<u>11,205</u>	<u>26,113</u>

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Profit and loss account

	2005	2004
	£	£
<i>Analysis of tax charge on ordinary activities</i>		
United Kingdom Corporation Tax at 30% (2004 - 30%) based on profit for the period	(172,765)	(243,302)
Adjustment in respect of prior period	-	(1,125)
	<u>(172,765)</u>	<u>(244,427)</u>
Deferred tax		
Timing differences, origination and reversal	(132,240)	(195,792)
	<u>(305,005)</u>	<u>(440,219)</u>

Factors affecting tax charge for the current period

The tax assessed for the period is lower (2004: lower) than that resulting from applying the standard rate of corporation tax in the UK at 30% (2004 - 30%).

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 27 March 2005

(2004 – 52 weeks ended 28 March 2004)

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The differences are explained below:

	2005 %	2004 %
Standard rate of tax as a percentage of profits	30	30
Effects of:		
Expenses not deductible for tax purposes	3	2
Capital allowances in excess of depreciation	(13)	(14)
Movement in short term timing differences	(1)	-
Marginal relief	(1)	-
Current tax charge for period	<u>18</u>	<u>18</u>

10. PROFIT OF PARENT COMPANY

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit after tax for the financial period amounted to £642,405 (2004 - £949,825).

11. EQUITY DIVIDENDS

	2005 £	2004 £
15.28p per ordinary share - proposed (2004 - 30.42p)	<u>426,215</u>	<u>848,454</u>

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

27 March 2005 (2004: 28 March 2004)

12. TANGIBLE FIXED ASSETS

The Group and Company

	Total £	Land & Buildings Freehold £	Land & Buildings Short Leasehold £	Buses Trams & Motor Vehicles £	Plant Equipment, Fixtures & Fittings £
Cost					
At 29 March 2004	19,672,007	1,306,157	4,873	15,403,990	2,956,987
Additions	1,703,189	7,330	159,950	1,405,084	130,825
Disposals	(510,171)	-	-	(258,978)	(251,193)
At 27 March 2005	20,865,025	1,313,487	164,823	16,550,096	2,836,619
Accumulated depreciation					
At 29 March 2004	10,644,102	189,661	-	8,480,088	1,974,353
Provided during the period	1,237,394	18,098	2,536	960,230	256,530
Disposals	(501,904)	-	-	(255,650)	(246,254)
At 27 March 2005	11,379,592	207,759	2,536	9,184,668	1,984,629
Net book value					
At 27 March 2005	9,485,433	1,105,728	162,287	7,365,428	851,990
At 28 March 2004	9,027,905	1,116,496	4,873	6,923,902	982,634

The net book value of fixed assets at 27 March 2005 includes £4,420,182 (at 29 March 2004 - £3,778,367) in respect of assets held under finance lease and hire purchase contracts.

13. INVESTMENTS

	Shares in Subsidiary Undertakings £
The Company	
At 27 March 2005 and 28 March 2004	683,506

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.

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

27 March 2005 (2004: 28 March 2004)

14. STOCKS

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Raw materials and consumables	347,071	333,422	347,071	333,422

15. DEBTORS

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	340,324	324,114	340,324	324,114
Blackpool Borough Council	164,999	128,649	164,999	128,649
Amounts owed by Group undertaking	-	-	209,764	209,764
Other debtors	67,084	14,732	67,081	14,729
Prepayments and accrued income	842,486	751,486	842,486	751,486
	<u>1,414,893</u>	<u>1,218,981</u>	<u>1,624,654</u>	<u>1,428,742</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Obligations under finance leases and hire purchase contracts	1,288,394	1,313,152	1,288,394	1,313,152
Trade creditors	246,111	418,721	246,111	418,721
Blackpool Borough Council	245,732	81,589	245,732	81,589
Amount owed to group undertakings	-	-	495,439	495,439
Corporation tax	38,765	145,052	38,765	145,052
Taxation and social security	219,962	213,111	219,962	213,111
Other creditors	316,057	414,842	316,057	414,842
Accruals and deferred income	447,770	424,192	447,770	424,192
Grant	28,414	28,414	28,414	28,414
Dividend payable	850,442	848,454	850,442	848,454
	<u>3,681,647</u>	<u>3,887,527</u>	<u>4,177,086</u>	<u>4,382,966</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Obligations under finance leases and hire purchase contracts	869,254	1,362,830	869,254	1,362,830
Grant (see note 18)	214,857	141,526	214,857	141,526
	<u>1,084,111</u>	<u>1,504,356</u>	<u>1,084,111</u>	<u>1,504,356</u>

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

27 March 2005 (2004: 28 March 2004)

18. DEFERRED INCOME

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Grants and legacy				
Opening balance	169,940	-	169,940	-
Released to profit and loss account	(28,414)	(547)	(28,414)	(547)
Awarded during the period	101,745	170,487	101,745	170,487
	<u>243,271</u>	<u>169,940</u>	<u>243,271</u>	<u>169,940</u>
Closing balance	243,271	169,940	243,271	169,940
Less: deferred income falling due within one year	<u>(28,414)</u>	<u>(28,414)</u>	<u>(28,414)</u>	<u>(28,414)</u>
Deferred income falling due after more than one year	<u>214,857</u>	<u>141,526</u>	<u>214,857</u>	<u>141,526</u>

19. BORROWINGS

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Obligations under finance leases and hire purchase contracts	2,157,648	2,675,982	2,157,648	2,675,982
	<u>2,157,648</u>	<u>2,675,982</u>	<u>2,157,648</u>	<u>2,675,982</u>
Due within one year	1,288,394	1,313,152	1,288,394	1,313,152
Due between one and two years	816,396	934,440	816,396	934,440
Due between two and five years	52,858	428,390	52,858	428,390
	<u>2,157,648</u>	<u>2,675,982</u>	<u>2,157,648</u>	<u>2,675,982</u>

20. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax	Third party liability	Total
	2005	2005	2005
	£	£	£
The Group and the Company			
Opening balance at 29 March 2004	873,820	754,871	1,628,691
Utilised in the period	-	(261,031)	(261,031)
Current year charge	132,240	226,642	358,882
	<u>1,006,060</u>	<u>720,482</u>	<u>1,726,542</u>
Closing balance at 27 March 2005	1,006,060	720,482	1,726,542

The third party liability provision represents the amount which may be expected to be paid to third parties in relation to claims made against the Company as a result of incidents with those parties.

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

27 March 2005 (2004: 28 March 2004)

20. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

The amounts of deferred tax provided in the financial statements are:

	27 March 2005 Amount provided £	28 March 2004 Amount provided £
Capital allowances in excess of depreciation	1,022,630	894,906
Other timing differences	(16,570)	(21,086)
	<u>1,006,060</u>	<u>873,820</u>

Movements on deferred taxation balance in the period:

	27 March 2005 £	28 March 2004 £
Opening balance	873,820	678,028
Charge to profit and loss account	132,240	195,792
Closing balance	<u>1,006,060</u>	<u>873,820</u>

21. CALLED UP EQUITY SHARE CAPITAL

	27 March 2005 £	28 March 2004 £
Authorised:		
3,500,000 ordinary shares of £1 each	<u>3,500,000</u>	<u>3,500,000</u>
Allotted and fully paid:		
2,789,000 ordinary shares of £1 each	<u>2,789,000</u>	<u>2,789,000</u>

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

27 March 2005 (2004: 28 March 2004)

22. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2005 £	2004 £
The Group		
Profit for the financial period attributable to members	642,405	949,825
Dividends	(426,215)	(848,454)
Net addition to shareholders' funds	216,190	101,371
Opening shareholders' funds	5,344,814	5,243,443
Closing shareholders' funds	5,561,004	5,344,814
The Company		
Profit for the financial period attributable to members	642,405	949,825
Dividends	(426,215)	(848,454)
Net addition to shareholders' funds	216,190	101,371
Opening shareholders' funds	5,742,642	5,641,271
Closing shareholders' funds	5,958,832	5,742,642

23. FINANCIAL COMMITMENTS

Capital commitments are as follows:

	2005 £	2004 £
The Group and the Company		
Contracted for but not provided in the financial statements	-	1,066,804

Annual commitments under non-cancellable leases are as follows:

	2005 Land and buildings £	Other £	2004 Land and buildings £	Other £
The group and company				
Expiry date				
- within one year	-	-	-	-
- between two and five years	-	4,000	-	-
- after five years	33,500	-	-	-

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.

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

27 March 2005 (2004: 28 March 2004)

24. CONTINGENT LIABILITIES

In respect of the termination of the tramway lease, the Directors can report that there is no present prospect of a notice being served under the present lease which would place any additional financial burden upon the Company and consequently it is the view of the Directors that no financial provision is necessary.

25. PENSION COSTS

	2005 £	2004 £
Contributions to pensions schemes were:		
Lancashire County Pension Fund	54,511	77,965
Blackpool Transport Services Limited Retirement Benefit Scheme	274,383	267,659
	<u>328,894</u>	<u>345,624</u>

Lancashire County Pension Fund

The Lancashire County Pension Fund is a defined benefit scheme. Under the definitions set out in FRS 17 '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 2004, using the projected unit funding method.

Based on this valuation, the actuaries advised that the employer's cost of pensions should be 4.1% of pensionable remuneration per annum with effect from 1 April 2005 (nil for the three years ended 31 March 2004).

During the period, the Company funded £54,511 additional contributions to enhance the benefits of members who have been allowed to retire early (2004 - £77,965).

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 2.25% higher than the rate of pensionable pay increases, and 4% 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.

FRS 17 'Retirement Benefits'

FRS 17 is fully effective for periods ending on or after 1 January 2005, although certain disclosures are required during the transition period, for periods ending on or after 22 June 2001. The transitional disclosures are detailed below.

The actuarial valuation of the Company's defined benefit pension scheme, the 'Lancashire County Pension Fund', was prepared on 31 March 2001 by the appropriate scheme actuary as appointed by the scheme's trustees. This valuation has been updated to 31 March 2004 to take account of FRS 17 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 March 2004 market values.

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

27 March 2005 (2004: 28 March 2004)

25. PENSION COSTS (continued)

Based on actuarial advice, the financial assumptions used in calculating the scheme's liabilities and the total value of these liabilities under FRS 17 are:

	Assumptions as at		
	31 March 2005 %	31 March 2004 %	31 March 2003 %
Discount rate	5.4	5.5	5.4
Inflation rate	2.9	2.8	2.5
LPI pension increases	2.9	2.8	2.5
Salary progression	4.65	4.3	4.0

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

The future contribution rate for the Company is 4.1%.

The fair value of assets in the scheme and the expected rates of return on each class of asset, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods, and are thus inherently uncertain, were:-

	Long term expected rate of return		Long term expected rate of return		Long term expected rate of return	
	31 March 2005 %	Value 31 March 2005 £'000	31 March 2004 %	Value 31 March 2004 £'000	31 March 2003 %	Value 31 March 2003 £'000
Equities	7.5	18,660	7.5	18,491	7.5	14,931
Government Bonds	4.7	2,584	4.7	2,607	4.5	2,065
Other Bonds	5.4	4,306	5.5	3,440	5.4	3,608
Property	6.5	1,435	6.5	1,720	6.5	1,498
Cash/ liquidity	4.75	861	4.0	618	-	-
Other	7.5	861	7.5	-	3.75	590
		<u>28,707</u>		<u>26,876</u>		<u>22,692</u>

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

27 March 2005 (2004: 28 March 2004)

25. PENSION COSTS (continued)

The overall net (deficit)/surplus between the assets of the scheme and the liabilities of the scheme that would be included in the financial statements under the FRS 17, is as follows:-

	31 March 2005 £	31 March 2004 £	31 March 2003 £
Total fair value of scheme's assets	28,707,000	26,876,000	22,692,000
Present value of scheme's liabilities	(28,347,000)	(27,669,000)	(25,984,000)
Scheme surplus/(deficit)	360,000	(793,000)	(3,292,000)
Related deferred tax (liability)/asset	(108,000)	237,900	987,600
Net pension asset/(liability)	252,000	(555,100)	(2,304,400)

The inclusion of these net scheme (liabilities)/assets within the Group's balance sheet would have the following effect on the Group's profit and loss reserve at:

	31 March 2005 £	31 March 2004 £
Profit and loss reserve as reported	2,772,004	2,555,814
Pension reserve/(liability) under FRS 17	252,000	(555,100)
Profit and loss reserve as restated	3,024,004	2,000,714

Analysis of amounts included within operating profit

	31 March 2005 £'000	31 March 2004 £'000
Current service costs	334	333
Past service costs	-	44
Curtailment	-	-
Total operating charge	334	377

Analysis of amount credited to net finance income

	31 March 2005 £'000	31 March 2004 £'000
Expected return on scheme assets	1,797	1,498
Interest on pension scheme liabilities	(1,500)	(1,388)
Net finance gain	297	110

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

27 March 2005 (2004: 28 March 2004)

25. PENSION COSTS (continued)

Amounts recognised in the statement of total recognised gains and losses

	31 March 2005 £'000	31 March 2004 £'000
Difference between actual and expected return on scheme assets	1,356	3,561
Experience gains and losses on scheme liabilities	1,078	-
Changes in assumptions underlying the present value of the scheme liabilities	(1,244)	(795)
Actual gain recognised in the statement of total recognised gains and losses	<u>1,190</u>	<u>2,766</u>

Movement in the scheme deficit during the period

	31 March 2005 £'000	31 March 2004 £'000
Deficit at the beginning of the period	(793)	(3,292)
Current service costs	(334)	(333)
Past service costs	-	(44)
Net finance income	297	110
Actuarial gain	<u>1,190</u>	<u>2,766</u>
Surplus/(deficit) in scheme at end of period	<u>360</u>	<u>(793)</u>

History of experience gains and losses

	31 March 2005 £'000	31 March 2004 £'000	31 March 2003 £'000
Difference between expected and actual return on scheme assets			
Amount	1,356	3,561	(7,448)
Percentage of scheme assets	4.7%	13.2%	(32.8%)
Experience gains and losses on scheme liabilities			
Amount	1,078	-	-
Percentage of the present value of scheme liabilities	3.8%	-	-
Change in assumptions underlying the present value of the scheme liabilities			
Amount	(1,244)	(795)	(2,158)
Percentage of present value of scheme liabilities	(4.4%)	(2.9%)	(8.3%)
Total actuarial gain/(loss)	1,190	2,766	(9,606)
Percentage of present value of scheme liabilities	4.2%	10.0%	(37%)

BLACKPOOL TRANSPORT SERVICES LIMITED

NOTES TO THE ACCOUNTS

27 March 2005 (2004: 28 March 2004)

25. PENSION COSTS (continued)

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 AXA Sun Life. The scheme is administered by Jardine Lloyd Thompson Benefit Consultants.

On 1 June 1997, the Fylde Transport Limited Retirement Benefit Scheme which had only thirteen members was closed and members were transferred to the new scheme.

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

26. 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.

Turnover for the 52 weeks ended 27 March 2005 includes £796,360 (2004 - £727,839) received from Blackpool Borough Council in respect of income for contracted services.

Other operating income for the 52 weeks ended 27 March 2005 includes £326,628 (2004 - £282,551) charged to Blackpool Borough Council in respect of bus station management fees, tram overhead line maintenance, cash counting and other sundry services.

Direct costs for the 52 weeks ended 27 March 2005 include £139,785 (2004 - £117,546) charged by Blackpool Borough Council in respect of tramway rental and bus station departure charges.

Administration charges for the 52 weeks ended 27 March 2005 include £178,308 (2004 - £187,155) charged by Blackpool Borough Council in respect of service charges, rates and Talbot Road Bus Station rental.

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