

**Annual report
for the year ended 31 March 1997**

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Directors and advisers

Directors

R S Simmonds (Chairman)
B L Fisher
J A L Ackroyd
B Vincent (resigned June 1997)
C A Webster
D A Miller
J A Coyle
P N Coyle
D Roche
G W Wheeler
J Williams (appointed 17 May 1996)
P Thorpe (appointed 26 June 1997)
B Gilroy (resigned 17 May 1996)

Secretary and registered office

J A L Ackroyd
Milehouse
Plymouth
PL3 4AA

Registered Auditors

Coopers & Lybrand
Midland House
Notte Street
Plymouth
PL1 2EJ

Bankers

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

Directors' report for the year ended 31 March 1997

The directors present their report and the audited financial statements for the year ended 31 March 1997.

Principal activities

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

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

Review of business

The directors are satisfied that the level of business and year end financial position has improved.

The directors are aware that for the second successive year, the Company showed a retained loss. This is due to the continued significant level of dividend paid to the shareholder.

Dividends and transfers to reserves

The directors have paid an ordinary dividend of £500,000 (1996: £500,000) in respect of the year ended 31 March 1997. The retained loss for the year of £5,000 has been charged against reserves.

Directors

The directors of the company during the year ended 31 March 1997, all of whom have been directors for the whole of the year ended on that date, except where noted, are listed on page 1.

Directors' interests

The directors of the company at 31 March 1997 did not hold any interests in the shares of the company at any time during the year.

Share capital

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

Political and charitable contributions

Charitable donations during the year amounted to £301 (1996: £795).

Employees

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

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

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

Close company provisions

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

Directors' responsibilities

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

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

Auditors

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

By order of the board

A handwritten signature in dark ink, appearing to read 'J. Ackroyd', with a small flourish at the end.

J Ackroyd
Secretary

5 September 1997

Report of the auditors to the members of Plymouth Citybus Limited

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

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

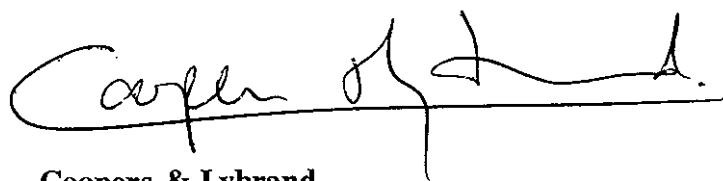
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 1997 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
Plymouth

5 September 1997

**Profit and loss account
for the year ended 31 March 1997**

	Notes	1997 £'000	1996 £'000
Turnover	2	11,079	10,681
Cost of sales		9,685	9,359
		<hr/>	<hr/>
Gross profit		1,394	1,322
Administrative expenses		511	555
		<hr/>	<hr/>
Operating profit	3	883	767
Bank interest receivable		104	157
Interest payable and similar charges	6	271	280
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	716	644
Tax on profit on ordinary activities	7	221	214
		<hr/>	<hr/>
Profit on ordinary activities after taxation		495	430
Dividends	8	500	500
		<hr/>	<hr/>
Retained loss for the year	19	(5)	(70)
		<hr/>	<hr/>
Statement of reserves			
Balance at 1 April 1996		2,372	2,442
Loss for the year		(5)	(70)
		<hr/>	<hr/>
Retained profit at 31 March 1997		2,367	2,372
		<hr/>	<hr/>

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

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


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

**Balance sheet
at 31 March 1997**

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	9	6,324	6,305
Investments	10	1	1
		<u>6,325</u>	<u>6,306</u>
Current assets			
Stocks	11	140	119
Debtors	12	710	744
Cash at bank and in hand		1,618	1,435
		<u>2,468</u>	<u>2,298</u>
Creditors: amounts falling due within one year	13	1,943	1,938
		<u>525</u>	<u>360</u>
Net current assets			
		<u>6,850</u>	<u>6,666</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	14	2,780	2,693
Provisions for liabilities and charges	15	413	311
		<u>3,193</u>	<u>3,004</u>
Net assets		<u>3,657</u>	<u>3,662</u>
Capital and reserves			
Called up share capital	18	1,290	1,290
Profit and loss account		2,367	2,372
		<u>3,657</u>	<u>3,662</u>
Equity shareholders' funds	19	<u>3,657</u>	<u>3,662</u>

The financial statements on pages 6 to 20 were approved by the board of directors on 5 September 1997 and were signed on its behalf by:

J Ackroyd 

B L Fisher
Directors 

**Cash flow statement
for the year ended 31 March 1997**

	Notes	1997 £'000	1996 £'000
Net cash inflow from operating activities	20	<u>2,107</u>	<u>1,784</u>
Returns on investments and servicing of finance			
Interest received		104	173
Interest paid		(104)	(128)
Interest paid on finance leases		(167)	(163)
		<u></u>	<u></u>
Net cash outflow from returns on investments and servicing of finance		<u>(167)</u>	<u>(118)</u>
Taxation			
UK Corporation tax paid		<u>(182)</u>	<u>(509)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(204)	(292)
Sale of tangible fixed assets		33	123
		<u></u>	<u></u>
Net cash (outflow) from capital expenditure and financial investment		<u>(171)</u>	<u>(169)</u>
Equity dividends paid		<u>(500)</u>	<u>(775)</u>
Net cash inflow before financing		<u>1,087</u>	<u>213</u>
Financing			
Repayment of loan		(79)	(71)
Payment of principal under finance leases		(825)	(739)
		<u></u>	<u></u>
Net cash outflow from financing		<u>(904)</u>	<u>(810)</u>
Increase/(decrease) in cash	21	<u><u>183</u></u>	<u><u>(597)</u></u>

**Notes to the financial statements
for the year ended 31 March 1997****1 Principal accounting policies**

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

Basis of accounting

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

Fixed assets

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

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

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

Freehold land is not depreciated.

Finance and operating leases

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

Stocks

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

Turnover

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

Deferred taxation

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

Pension costs

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

Investments

Investments are stated at cost.

2 Turnover and profit on ordinary activities before taxation

	Turnover		Profit on ordinary activities before taxation	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Bus and coach operations	10,068	9,581	525	422
Other	1,011	1,100	191	222
	<u>11,079</u>	<u>10,681</u>	<u>716</u>	<u>644</u>

All turnover is derived from operations in the United Kingdom.

3 Operating profit

Operating profit is stated after charging/(crediting):

	1997 £'000	1996 £'000
Auditors' remuneration		
- audit	16	16
- other services	4	12
Profit on disposal of fixed assets	(33)	(90)
Rent receivable	(19)	(18)
Operating lease rentals:		
- vehicles	7	29
- plant and machinery	17	22
Depreciation of owned tangible fixed assets	410	390
Depreciation of tangible fixed assets held under finance leases	762	659
Finance lease interest	167	163
	<u> </u>	<u> </u>

4 Directors' emoluments

	1997 £	1996 £
Aggregate emoluments	118,695	115,666
	<u> </u>	<u> </u>
Company pension contributions to money purchase schemes	1,188	1,111
	<u> </u>	<u> </u>

Retirement benefits are accruing to two directors (1996: two directors) under the Local Government Superannuation scheme.

5 Employee information

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

	1997 Number	1996 Number
Bus operations and other activities	408	412
Administration	41	47
	<u> </u>	<u> </u>
	449	459
	<u> </u>	<u> </u>

	1997 £'000	1996 £'000
Staff costs (for the above persons)		
Wages and salaries	5,362	5,429
Social security costs	443	447
Other pension costs (see note 17)	344	247
	<u>6,149</u>	<u>6,123</u>

6 Interest payable and similar charges

	1997 £'000	1996 £'000
On debenture loans (see note 14):		
- repayable within five years	3	8
- repayable wholly or partly in more than five years	101	105
Finance lease and hire purchase interest	167	163
Other	-	4
	<u>271</u>	<u>280</u>

7 Tax on profit on ordinary activities

	1997 £'000	1996 £'000
United Kingdom corporation tax at 33% (1996: 33%):		
- current	212	195
- deferred	9	21
(Over) provision in respect of prior year	-	(2)
	<u>221</u>	<u>214</u>

8 Dividends

	1997 £'000	1996 £'000
Ordinary:		
Final of 38.8p per share (1996: 38.8p)	500	500
	<u>500</u>	<u>500</u>

9 Tangible fixed assets

	Freehold land & buildings £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 1996	1,569	950	7,544	10,063
Additions	6	52	1,133	1,191
Disposals	-	(35)	(184)	(219)
At 31 March 1997	1,575	967	8,493	11,035
Depreciation				
At 1 April 1996	104	443	3,211	3,758
Charge for year	12	176	984	1,172
Disposals	-	(35)	(184)	(219)
At 31 March 1997	116	584	4,011	4,711
Net book value				
At 31 March 1997	1,459	383	4,482	6,324
At 1 April 1996	1,465	507	4,333	6,305

The net book value of tangible fixed assets includes an amount of £3,117,684 (1996: £2,892,178) in respect of assets held under finance leases and hire purchase contracts.

10 Fixed asset investments

	1997 £'000	1996 £'000
Cost and net book value		
At 1 April 1996 and 31 March 1997	1	1

Investments at net book value include:

	1997 £'000	1996 £'000
Investment listed on a recognised investment exchange	1	1
Market value of listed investments	2	1

11 Stocks

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

12 Debtors

	1997 £'000	1996 £'000
Amounts falling due within one year		
Trade debtors	411	495
Other debtors	206	149
Prepayments and accrued income	93	100
	<u>710</u>	<u>744</u>

13 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Debenture loans (see note 14)	105	129
Obligations under finance leases (see note 14)	755	743
Trade creditors	445	399
Other taxation and social security	193	228
Corporation tax payable	136	97
Advance corporation tax	-	-
Other creditors	60	109
Accruals and deferred income	249	233
	<u>1,943</u>	<u>1,938</u>

14 Creditors: amounts falling due after more than one year

	1997 £'000	1996 £'000
Debenture loans (see below)	1,073	1,128
Obligations under finance leases (see below)	1,707	1,558
Other creditors and accruals	-	7
	<u>2,780</u>	<u>2,693</u>

Debenture loans

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

	1997 £'000	1996 £'000
Debenture loans:		
- within one year	105	129
- between one and two years	39	55
- between two and five years	142	128
- in five years or more	892	945
	<u>1,178</u>	<u>1,257</u>

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

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

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

Finance leases

The net finance lease obligations to which the company is committed are:

	1997 £'000	1996 £'000
In one year and less	755	743
Between one and two years	624	570
Between two and five years	935	956
Over five years	148	32
	<u>2,462</u>	<u>2,301</u>

15 Provisions for liabilities and charges

	Deferred taxation (see note 16) £'000	Provision for Omnibus Insurance £'000	Total £'000
At 1 April 1996	244	67	311
Provision in year	9	259	268
Release of advance corporation tax recoverable	77	-	77
Payments made during year	-	(243)	(243)
	<u>330</u>	<u>83</u>	<u>413</u>
At 31 March 1997	<u>330</u>	<u>83</u>	<u>413</u>

16 Deferred taxation

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

	Amount provided		Amount unprovided	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Accelerated capital allowances	370	374	-	-
Short term timing differences	(40)	(53)	-	-
	<u>330</u>	<u>321</u>	<u>-</u>	<u>-</u>
Less: advance corporation tax recoverable	-	(77)	-	-
	<u>330</u>	<u>244</u>	<u>-</u>	<u>-</u>

Plymouth Citybus Limited

17 Pension and similar obligations

The Local Government Superannuation Scheme

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

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

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

'Plymouth Citybus pension scheme'

This is a defined contribution pension scheme.

The total pension cost for the company in respect of both schemes was £344,000 (1996: £247,000).

An amount of £887 (1996 debtor: £6,496) is included in creditors which represents the excess of the accumulated pension cost over the payment of contributions to pension funds.

18 Called up share capital

	1997 £	1996 £
Authorised		
1,300,000 ordinary shares of £1 each	<u>1,300,000</u>	<u>1,300,000</u>
Allotted, called up and fully paid		
1,290,100 ordinary shares of £1 each	<u>1,290,100</u>	<u>1,290,100</u>

19 Reconciliation of movements in shareholders' funds

	1997 £'000	1996 £'000
Profit for the financial year	716	430
Dividends	(500)	(500)
	<u>216</u>	<u>(70)</u>
Net addition/(reduction) to shareholders' funds	3,662	3,732
Opening shareholders' funds	<u>3,878</u>	<u>3,662</u>
Closing shareholders' funds	<u><u>3,878</u></u>	<u><u>3,662</u></u>

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

	1997 £'000	1996 £'000
Operating profit	883	767
Depreciation on tangible fixed assets	1,172	1,049
Gain on sale of tangible fixed assets	(34)	(90)
(Increase)/decrease in stocks	(21)	33
Decrease/(increase) in trade debtors	84	(87)
(Increase)/decrease in other debtors	(57)	133
Decrease in prepayments and accrued income	7	31
Increase in trade creditors	114	28
(Decrease)/increase in other taxation and social security	(35)	85
Decrease in other creditors	(56)	(64)
Decrease in pensions and similar obligations	-	(7)
(Decrease)/increase in accruals and deferred income	(52)	39
Increase/(decrease) in provisions for liabilities and charges	102	(133)
	<u>2,107</u>	<u>1,784</u>
Net cash inflow from operating activities	<u><u>2,107</u></u>	<u><u>1,784</u></u>

21 Reconciliation of net cash flow to movement in net debt

	1997 £'000	1996 £'000
Increase/(decrease) in cash in the period	183	(597)
Cash outflow from decrease in debt and lease financing	904	810
Change in net debt resulting from cash flows	1,087	213
New finance leases	(986)	(614)
Movement in net debt in the period	101	(401)
Net debt at 1 April	(2,123)	(1,722)
Net debt at 31 March	(2,022)	(2,123)

22 Analysis of net debt

	At 1 April 1996 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 March 1997 £'000
Cash at bank	1,435	183	-	1,618
Debt due after one year	(1,128)	-	55	(1,073)
Debt due within one year	(129)	79	(55)	(105)
Finance leases	(2,301)	825	(986)	(2,462)
Total	(2,123)	1,087	(986)	(2,022)

23 Major non-cash transactions

During the year the company entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the lease of £986,340 (1996: £613,886).

24 Contingent liabilities and financial commitments

	1997 £'000	1996 £'000
Capital expenditure	-	-
Expenditure contracted for	-	-

25 Lease commitments

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

	Annual payment	
	1997	1996
	£'000	£'000
Date of lease termination		
Within one year	4	6
In two to five years inclusive	8	17
	—	—
	12	23
	==	==

26 Transactions with related parties

Plymouth Citybus Limited is owned by Plymouth City Council and is partly funded by loans from Plymouth City Council. Details of these loans can be found in note 14.