

### **Financial Position**

The underlying financial position of the company is strong, having Net Assets of £8.5 million.

In 2016/2017 £8.9 million cash was generated from operating activities, of which £8.5 million was spent in investing in the Bus fleet and the premises at Rigby Road, more of which later.

### **Current Year Trading**

Trading has been difficult in 2017/18 due to disruption in the town caused by road works, the Rail Blockade and the changes to town centre bus stops to facilitate utility works. All these, combined with a poor summer weather-wise, meant that fewer people, in particular Concessionary Pass holders, used buses and trams. The situation is expected to improve in the coming year.

One benefit derived from the Rail Blockade is that we won the tender to operate Rail Replacement Buses between Blackpool North and Preston for the duration of the blockade. This brought in an extra £1.5 million turnover, compensating for the shortfall in town operations. Further, Arriva Trains were so impressed by our performance, and the quality of our vehicles, that they have invited us to do further work in the coming year on the Bolton/Wigan/Manchester blockade.

### **Investment Program**

We are part way through an investment/modernisation program for the Bus fleet, costing £23million over 4 years, of which £16m has already been invested. The use of some of the new vehicles on the Rail Replacement work was part of the reason for the good impression made.

The financing of this has been by way of long term (10 year) loans from the Borough Council at commercial interest rates.

Unfortunately, prior to the current Directors being in place, investment in the fleet, and the maintenance of the premises had not been maintained. Repair costs for both vehicles and premises were escalating at an alarming rate. An investment plan to replace 103 buses over 4 years, out of a fleet of 130 was agreed by the Board and Shareholder in 2015.

To date 55 vehicles have been replaced and a further 18 are due to arrive in April and May this year. A fixed price parts contract has been taken up with the manufacturer, and this, together with the disposal of old vehicles has resulted in a 19% reduction in repair costs over 3 years.

The premises at Rigby Road are still a cause for concern, and the Directors are also mindful that the Starr Gate buildings are in need of maintenance. There are potential Health and Safety issues with both premises that need to be investigated and addressed.

### **Longer Term Expectations**

The company are determined not to repeat the past mistakes, and intends to continually invest in its assets.

Once the initial investment in the fleet is complete, and the premises are regularly maintained, the company is well equipped to deal with the challenges of the future. It will be offering a very attractive integrated local transport network, modern, comfortable Bus and Tram services with close links to the Railway services. As the town becomes more attractive to visitors, demand for our services will increase.

Work is already under way to match our offering to the changing market – App, Disabled, working with Schools/Colleges, Park & Ride Sites

We are therefore confident of a return to good profitability in the longer term.