COMMITTEE:	**CABINET**
DATE:	**WEDNESDAY 15 DECEMBER 2004**
SUBJECT:	**EASTBOURNE BUSES LIMITED - ANNUAL GENERAL MEETING**
REPORT OF:	**DIRECTOR OF ECONOMY, TOURISM & ENVIRONMENT**
Ward(s):	All
Purpose:	The purpose of this report is to obtain the Council's instructions to the Leader of the Council to the voting of the Council's shares at the Annual General Meeting of the Company.
Contact:	Norman Kinnish, Director of Economy, Tourism and Environment, Telephone 01323 415008 or internally on extension 5008.
Recommendations:	1 That at the Company's Annual General Meeting, the Leader of the Council (or his nominee) vote the Council's shares in favour of:- (a) adopting the accounts (b) re-appointing the Auditors 2. That the Director of Economy, Tourism and Environment be requested to draw up Objectives and Terms or reference for the Council's non-executive Directors who sit on the Bus Board.

1.0	**Introduction**	
1.1	Eastbourne Buses Limited is a company limited by shares. It is controlled by the Council under the terms of the Transport Act 1985.	
1.2	The Council holds 1,528,002 Ordinary Shares in Eastbourne Buses Ltd.	
1.3	The Chairman of this Committee votes the Council's shareholding at the General Meetings of the Company in accordance with the Council's instructions.	
1.4	The Annual General Meeting of the Company will take place 0n 15 December 2004 after Cabinet has met. A copy of the most recent Statutory Accounts and Directors' Report is available for inspection at my office.	

2.0	**Financial**
2.1	Eastbourne Buses has prepared accounts for 15 months to 31 December 2003, the change in year end brings the company in line with Keolis who hold the remaining shares.
2.2	During this period the Company made a loss before taxation of £199,785. This does include an exceptional write off of stock totalling £57,782. There were additional prior year write-offs included in the above total of £61000.
2.3	This follows losses in 2001 of £73.375 and 2002 of £179,075. However it should be borne in mind that the current figures relate to a 15 month trading period and thus are more favourable than the previous year.
2.4	The Members are referred particularly to the Directors' Report where it is recommended that no dividend be paid.

2.5	The Council has a debenture in return for the transfer of assets to the Company. The debenture is secured against the Company's land, buildings, plant and fixtures. During the financial year the company paid £32,765 debenture interest to the Council.
3.0	**Review of Business**
3.1	Turnover increased by 53% in the accounting period equivalent to 22% growth over a 12 month period.
3.2	The accounts state that they have been prepared on a going concern basis, despite the company making losses in the period, The directors have taken action to ensure that the company's net current asset position improves in the next twelve months.
3.3	The company's business plan projections for 2004 do show a planned profit for the year. Officers are liaising with the company's directors to monitor performance against the plan. The Company is forecasting a profit of £180,000 for the 2004 year. The budget for 2005 forecasts a further increase in profit to £251,000. The Company has paid off £50000 of the debenture during 2004.
3.4	At present there is no clear guidance, in either the company's own Articles or any other documentation, about what the Council expects the bus company to deliver in terms of profitability, or the running of its services. This situation is unsatisfactory as the Council holds 4 non-executive directorships. The Company currently operates certain loss-making socially desirable services. These would normally be subsidised by a local authority, in this case East Sussex County Council. The operation of these services has a significant effect on the profitability of the Company.

3.5	I will prepare a report for a future meeting of Cabinet suggesting certain objectives and terms of reference for the role of non-executive director of Eastbourne Buses following consultation with the Bus Board
4.0	**Shareholding**

4.1	This will be the fourth AGM attended by Keolis as a shareholder.
Norman Kinnish **Director of Director of Economy, Tourism and Environment**	
Background Papers: The Background Papers used in compiling this report were as follows: Directors' Report and Accounts of Eastbourne Buses for year ending 31 December 2003. To inspect or obtain copies of background papers please refer to the contact officer listed above.	