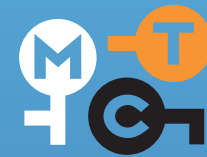


**Manchester Community
Transport**

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Transport**

Annual Report

1 April 2007 – 31 March 2008



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Executive summary

MCT has undergone a radical restructuring this year and despite initial reservations, the transition has been largely successful and created an upbeat, optimistic perspective within the staff, volunteers and board members. Everyone now feels part of the team and is looking forward to helping to play their part in building MCT's future.

The company invested heavily in training throughout the year and the investment played an invaluable role in helping to motivate staff, build confidence and meet the growing demands of legal compliance. This investment also proved crucial for all of MCT's Drivers, when new regulations regarding the acquisition and maintenance of PCV Licenses came into force this year.

Financially, 2007-2008 has proved to be one of the toughest yet for MCT. Global fuel prices soared to

unprecedented levels, which had major implications for the company's limited budget. In spite of this, MCT has achieved many of its strategic objectives and successfully introduced important changes in the 'hearts & minds' of its people and their attitudes towards public safety and legal compliance. MCT's obligations in keeping its vehicles legally compliant have also been strengthened through running fully integrated software packages and carrying out regular reviews and checks.

Service Development has seen the successful re-acquisition of all Local Link's service contracts. This was no easy task, given the number of competitors who've entered the public transport marketplace during the last 3 years. The team worked skillfully and efficiently to prepare a number of price competitive, profitable bids, all of which were ultimately successful. This is a great achievement and has boosted morale across the organisation.

MCT's Scheduled Passenger Service has also enjoyed a relatively successful year as customer confidence has grown and the company has continued to supply reliable, safe, transport for GMPTE.

East Manchester Community Transport (EMCT), has had it's strongest year to date, comfortably achieving all of its targets and strategic objectives; and successfully gaining funding from GMPTE for a further 3 years. The company is has continued to work on honing and streamlining its services and driving the organisation towards 'commercially independent' status. Any deficit that EMCT incurs will be offset by investment from MCT. This measure will bridge any income shortfall and ensure EMCT continues to operate successfully within the local community.





Strategic development

The year 2007 started strongly, with MCT continuing the process of shaping and evolving our services in order to meet the demand of our customers; providing safe affordable community transport, whilst keeping a close eye on available budgets.

However, as the year progressed the UK's increasingly volatile economic climate began to take its toll on our business. As many are aware, global fuel costs rose to unprecedented levels and caused huge fiscal problems across the whole of the transport industry. The price rise also severely effected MCT's ability to tender for contracts accurately; and trying to factor estimated fuel costs in to Tender Bids became almost impossible. Indeed, had fuel costs been estimated at conservative levels within the bids, we would have undoubtedly priced ourselves out of the market.

Encouragingly, the upgrade to Coach Manager software reported at the end of last year has borne fruit and the new system works extremely effectively with our vehicle maintenance programmes. This has resulted in a much more efficient use of resources and MCT can now be

confident that all of our vehicles are fully maintained and serviced and remain legally compliant across the whole of our operation.

The greatest strategic development this year has been in the field of legal compliance and health & safety, which remain key components of MCT's service delivery. As many of our staff started out as Volunteers with the company, it was felt that not everyone may fully comprehend the importance of these issues and they're legal ramifications. Working closely with our staff, the company has undergone a period of operational review, restructuring and re-training which has resulted in a sea-change of attitudes within the organisation. MCT's staff are all keenly aware of the legal implications of non-compliance and poor health & safety, in an increasingly litigious climate.

We have put in place a strategic investment package to cover any deficit incurred by EMCT. This will ensure EMCT are able to continue their highly successful operation and deliver Local Link and affordable public transport across the East Manchester area.

Fleet Management

We are happy to report that we have been able to replace many of the vehicles within our fleet this year, in spite of the economic difficulties. We have also managed to invest in additional vehicles and our fleet has now grown to 37 vehicles.

The demands upon our fleet continue to change as year-on-year, important customers like GMPTe, are demanding higher and higher standards in vehicle provision. Whilst we have been able to replace a number of vehicles with more up-to-date models, there will be a need in the coming months to lease additional vehicles, which will run in tandem with our own fleet. This has arisen because most vehicle leasings to transport companies now operate on a six-week maintenance turnaround. And, in order to provide a fully functional vehicle at a high enough specification for the customer within the given time frame; it will be necessary to hire-in additional vehicles. This cost should be offset however, by a reduction in maintenance overheads and increased demand.

We have also taken part in a funding initiative with GMPTe, which should see MCT offering a consultancy/ mentoring service for other community transport organisations. We are fully confident that these applications will prove successful and provide much needed additional revenue.

Marketing

As outlined in our last Annual Report, MCT has already achieved encouraging levels of brand recognition and has significantly raised the company's profile through a range of marketing initiatives. We have continued to disperse and circulate marketing materials communicating not only the benefits of travelling with MCT, but also highlighting the range of services available. We have kept our website up-to-date and are currently developing new marketing initiatives to take the company forward during 2008-2009 and increase booking levels.

Whilst we anticipated running marketing campaigns online early in the year, these initiatives had to be postponed when the fiscal constraints of rising fuel costs took hold. Despite the postponement, we have seen encouraging levels of bookings from schools, as a result of earlier marketing campaigns. Despite the global recession, the education sector is still regarded as a growth area and we are planning to invest in a new campaign targeting

schools in the coming months. In the meantime, our branded livery continues to advertise our services across Manchester, seven days per week.

We are also planning to actively promote the hire of our 66 seat vehicles. As there are now both financial and environmental benefits to hiring for large group travel, we will be looking to take a share in the burgeoning market of event travel, to venues like RHS Tatton Park Flower Show, the Halle Fireworks & Light Spectacular and rock & pop concerts at the City of Manchester, Reebok and Old Trafford stadia.

There remains an ongoing need to recruit new MCT shareholders and encourage new committee members. During the next few months we are planning to devise new ways and methods of recruiting these important team members thereby, retaining our IPS status. We also plan to encourage group travel customers to become shareholders within the company, a marketing strategy for which is currently being developed.





Service development

Mini Bus Hire

As with last year, Mini-bus hire continues to be our strongest area of growth. Revenues have increased steadily, but this has been offset to a large extent by growing economic difficulties.

As outlined earlier, we still see Mini-bus hire as a growth market within the education sector. We plan to effectively market the fleet over the next few months by promoting our new upgraded vehicles and underpinning this with competitive hire rates, special introductory offer discounts and multiple booking discounts.

Local Link

It has been an eventful year for our Local Link service as each of our contracts came up for re-tender. The marketplace had changed significantly during the last 3 years and there were a number of new players in the field bidding for the same contracts. This left us in the unenviable

position of having to offer lower than ever price rates, whilst our own overheads continued to spiral. Despite these difficulties our bids were carefully prepared and tendered and we are delighted to report that they were successful. All our Local Link contracts have been re-secured for a further 3 years.

As we moved the call centre for Local Link across to GMPTE, this freed-up much needed resource to concentrate on service provision. Local Link remains one of MCT's core public services and we are committed to maintaining this vital local transport initiative; providing clean, safe, hassle-free travel in the local community.

Scheduled Passenger Services

Whilst we reported significant growth in the Scheduled Passenger Services sector during 2006, this became our biggest growth area during 2007. Our scheduled daily routes have

increased from 14 in 2006, to 17 in 2007. As planned, we successfully tendered for a number of larger routes and we now operate across most of central, south and east Manchester. As this service area has grown, so too has customer confidence as we continue to deliver safe, reliable passenger transport for GMPTE. The significant levels of revenues accrued from this sector have greatly cushioned us from the economic difficulties we've encountered this year.

Driver Training

Provision of Driver training to other transport companies continues to provide important revenue for the company. Should recent Funding Initiatives prove successful, this will see us moving into the field of consultancy/ mentoring for other community transport organisations.

There have also been a number of changes made to the qualification procedure for PCV Licenses and the procedures for maintaining the license.

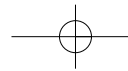
This has made it increasingly difficult to get drivers through their test and their re-testing. Not only have there been changes requiring new medical regulations, but the theory and practical tests have become much tougher too. We have risen to this challenge through increasing our investment in training this year. We have made it a priority to ensure that all our drivers are fully trained, tested and coached before formal testing and feel valued, supported and completely confident.

Coach Hire

We now have 5 coaches for hire within MCT and demand for this service has continued to grow steadily throughout the year. As outlined in our Marketing Report, we are planning to actively promote coach hire in the next few months and we will be looking to offer an event travel service for RHS Tatton Park Flower Show, the Halle Fireworks & Light Spectacular and concerts at several of the city's stadia. We will also be

promoting coach hire to local schools and colleges for special excursions and school trips, where extended seating is required.





Employment

Recruitment

MCT continues to employ in excess of 50 full and part-time staff. As we highlighted in our 2006 report, there was a need for crucial restructuring within the company if we were to grow and develop into a professional, successful organisation. During 2007 we underwent a system of controlled and monitored restructuring, resulting in a rationalisation of resources, a number of personnel changes and a number of new appointments. These changes included two key appointments, those of full-time Operations Manager and full-time Finance Manager. We are looking forward to the positive changes the new staff will bring and the contribution they will make to the growth and development of the company. Whilst there was some initial apprehension regarding these radical structural changes, the mood of the organisation is now extremely optimistic, as staff and board members look forward to working together to help shape MCT's future.

Volunteers

We have continued to promote individuals from the volunteer sector onto our full-time staff over the last year and recruiting from within this sector remains at the heart of our social inclusion ethos. However, as highlighted in our Strategic Development report, we became increasingly aware this year that not all our staff and volunteers were aware of MCT's legal responsibilities and obligations as public transport providers.

We initiated an operational review and underwent restructuring across the whole organisation, in order to create a sea-change in attitudes towards public health & safety and legal compliance.

We now feel confident that staff and volunteers alike, are keenly aware of compliance and act with due care and diligence throughout their employ.

Training

We have continued to provide staff with regular training and opportunities for self-improvement throughout the year. We invested heavily in staff training during the period, covering a number of key areas including Emergency procedures, Health & Safety, PC skills and customers care.

As outlined in Service Development, there have been a number of legislative changes to the acquisition and maintenance of PCV Licenses making it increasingly difficult to get drivers through their tests. These include new medical regulations, and tougher theory and practical driving tests. MCT has met this challenge head-on by stepping up our investment in driver training. We have made it a priority to ensure that all MCT drivers are fully trained, tested, mentored and coached, and feel fully confident before they are tested.

CEO Report

I'm extremely relieved to be able to announce another strong year for the company, which turned out to be our toughest challenge so far. I firstly want to thank my entire team for helping drive MCT forward, within a climate of huge economic change.

Our "roller-coaster" year saw us successfully manage a number of staff changes, a major restructuring of the organisation and the unforeseen stresses incurred in trying to manage rising fuel costs within severely restricted budgets. Whilst I am certain that these trials have made us stronger as a team, I am aware the difficulties we've endured may affect our core aim of doubling our turnover to net an 8% surplus, within 3 years. Indeed, it might take us just a little bit longer than we'd planned. Although, given the current economic conditions, I'm pretty sure we aren't the only transport company having to reschedule its targets. However, I would like announce that we expect to achieve an increase of £60k in our bottom line by the close of the next financial year.

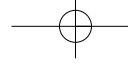
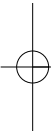
I would like to take this opportunity to welcome our new team members on board. Alastair Burns joins us as our new Operations Manager, and Brian Priest as our new Finance Manager. I look forward to the valuable contribution they will make to the company and the rest of the team here at MCT. I am also looking forward to seeing the results of recent Funding Initiatives, which will enable us to offer a consultancy/ mentoring function for other community transport organisations in need of guidance. This will not only raise our profile, but also secure much needed additional income.

I firmly believe that one of our greatest achievements this year has been in the area of legal compliance and public health and safety. As many of you are no doubt aware, there is a rising tide of litigation in the UK and members of the public are being actively encouraged to seek legal redress and compensation for any inconvenience or injury which befalls them; where a third party is involved. This has meant that MCT, as with any public transport provider, needs to ensure that it's

beyond reproach in matters of public safety. It became our mission this year to instill in all our staff, volunteers, drivers and assistants alike; the importance of legal compliance and good health & safety. Whilst it proved a long a difficult road, I'm now confident that all of us at MCT are aware of how important this issue is to the company's future.

Once again I find myself filled with admiration for the work and dedication of the team at EMCT. I would like to offer my sincere congratulations for the excellent year they have had and commend them for gaining funding from GMPTE to cover the next 3 years. The vision and drive behind the company is inspired and MCT is more than happy to invest additional funding to cover any deficit. In viewing their streamlining operations and initiatives, I have no doubt that they'll successfully achieve their goal of financial independence before long.

John Perry
CEO



Chair's report

Board Members saw a number of major changes within the organisation this year, all of which we believe will lead to a stronger, more professional transport company, which remains community-focussed. The Board and MCT Staff alike are all firmly committed to providing good, affordable transport for all. To this end we aim to work at making our more commercial services work that bit harder, in order to provide greater reinvestment for Group Travel.

It is with some sadness that MCT has said goodbye this year to its previous Chair, Bernard Caine. Bernard worked successfully with us for a

number of years and we remain thankful for his contribution and the time and effort he put in.

The Board believes all our people deserve commendation this year for proving to be an adaptable, reliable and forward-thinking bunch, and for helping to steer the company through one of its trickiest financial periods so far. You all deserve a well-earned pat on the back.

We look forward to welcoming new volunteers and board members and appointing a new Chair in the coming months.

Board Members
MCT

East Manchester Community Transport

The restructuring of EMCT reported at the end of the last financial year continued to bear fruit and the company has enjoyed its most successful year to date. Not only has EMCT secured funding from GMPTE for an additional 3 years, but it has also secured financial support from MCT, should any deficit arise.

Whilst the company has successfully achieved all of its aims and objectives for the year, this has not been without difficulty. A number of key changes to the structure of the company became necessary and a number of staff changes ensued. Without

these measures the company could not have gained the funding necessary to guarantee its future, and ensure that it remained an integral part of East Manchester's public transport network.

The next year should see us go from strength-to-strength, as we aim to introduce marketing initiatives which will encourage our Group Travel customers to become Shareholders. This will not only encourage greater levels of customer confidence, but also help strengthen our position on social inclusion and our commitment to providing local transport solutions for local people.

