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**COMPANY
NUMBER: 2004963**

Reading Transport Limited

Report and Financial Statements

Year Ended

5 October 2008

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BDO Stoy Hayward
Chartered Accountants

Reading Transport Limited

Annual report and financial statements
for the year ended 5 October 2008

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Directors

Mr S M Singleton-White	Mr S Simpson
Mr J Carney	Mr D M Downes
Mr J Freeman	Councillor W Swain
Mr K Moffatt	Councillor M Townend
Mr F Connelly	Mr D Sutton

Secretary and registered office

Mr J Carney, Great Knollys Street, Reading, Berkshire RG1 7HH

Company number

2004963

Auditors

BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road, Reading, Berkshire RG1 3EX

Reading Transport Limited

Report of the directors for the year ended 5 October 2008

The directors present their report together with the audited financial statements for the year ended 5 October 2008.

Results and dividends

The profit and loss account of the company is set out on page 7 and shows the result for the year.

No dividends were paid during the year (2007 - £Nil) and the directors do not recommend the payment of a final dividend (2007 - £Nil).

Principal activities

The main activities of the company remain:

- (a) the provision of local bus services within the greater Reading and Newbury areas;
- (b) the sale of coach holidays and operation of an excursion programme;
- (c) the provision of vehicles and drivers for private hire contracts.

Review of business and future developments

During the past year, turnover from the Company's operation increased by £1.9m (7.6%). Financial performance remained satisfactory despite continuing cost pressures from wage increases, pension contributions and depreciation charges. The main divisions of the business all made a financial contribution although the performance of the coach division was very disappointing and these activities have since been closed down.

In February 2008 the network of high quality *Premier Routes* was completed. This means that Reading has a comprehensive network of Quality Bus Corridors, each with high quality colour-branded buses, comprehensive route information at stops and in real time form, upgraded bus stops and kerbs as well as bus priority on the highway in many locations. This was followed by the delivery, after some delays, of 21 new Scania/Darwen Olympus double-deckers followed by 14 new ethanol-powered Scania Omnicity double-deckers. The delivery of these buses enabled the withdrawal of many outdated vehicles and the reallocation of buses so that Reading Buses achieved 100% low-floor operation, eight years ahead of government targets.

This investment in new fleet, coupled with the judicial increase in evening and especially Sunday frequencies saw an unprecedented growth of some 822,000 in customer numbers, equal to 4.9%. Thus the Company has been successfully pursuing its board's main objective to increase patronage whilst continuing to trade profitably.

By the end of the year under review the Company operated one of the most modern and well-appointed fleets of buses in the United Kingdom.

The new fleet, combined with progressive management has continued to drive down the cost of maintenance whilst maintaining high standards of safety, reliability and appearance. This effort included the successful commissioning of the world's first fleet of bio-ethanol fuelled double-decker buses, purchased with financial assistance from Reading Borough Council, using fuel from sustainable sources. This high-profile initiative, combined with the operation of so many modern diesel-powered buses, has made a marked impact on vehicle tailpipe emissions during the year.

A Marketing Manager was appointed in December 2007 and marketing effort was stepped up during the period. This included a deliberate policy of public relations enhancement which increased and significantly enhanced the Company's external profile.

In the Goldline division, fixed-price contracts remained profitable but the coaching operations were wound down during the year in preparation for exiting this market at the end of 2008.

Reading Transport Limited

Report of the directors for the year ended 5 October 2008 (continued)

Risks and uncertainties faced by the Company

The Board continues to work to its five year plan, launched in the autumn of 2007. Cost increases, especially of fuel towards the end of 2007/8, posed a significant threat and were dealt with by an extra fares increase in July 2008. The travelling public were able to see the clear link with rapidly advancing oil prices, but nonetheless there was some resistance to the increased fares that resulted. The escalation of fuel prices in the summer of 2008 will continue to influence the Company's trading position for some time to come due to the length of contracts for fuel purchase.

Cash flow during the year has remained at healthy levels and there are no debtors causing concern.

Main Business KPIs

The company uses the following KPIs to manage its operational and financial activities:

Key Performance Indicator	2006/7	2007/8
No of PSVs	194	202
Approximate Fleet Age	6 years	4 years
Turnover/vehicle	£129,700	£134,119
Turnover/employee	£48,500	£51,700
Wage cost as a % of turnover	62%	61%
Fuel Cost as a % of turnover	7.5%	8.3%
Depreciation as a % of turnover	7.9%	9.1%
Percentage of fleet conforming to Euro III emission standard or above	83%	89%

Board Changes

Councillor R Green and Councillor A Page resigned from the Board on 1 May and 1 July 2008 respectively.

Councillor W Swaine and Councillor M Townend joined the Board on 1 May 2008. Mr David Sutton joined the Board in September 2008.

Future trading prospects

Rapid increases in passenger numbers in Reading continued to drive revenue growth into the following year 2008/9, being very strong in the latter part of 2008. The business in Newbury is coming under greater stress from the loss of some contracts due to low competitive prices, traffic congestion and dislocation resulting from a number of long-term construction programmes and declining overall patronage. This is being addressed by re-shaping the Newbury-based business to reduce costs of operation.

In Reading the increases in revenue started to tail off and then go sharply into reverse during the second quarter of 2009. This has created a very challenging operating environment, resulting in the need to alter the network and cut costs to cope with lower customer numbers.

Difference between market value and book value of land and buildings

In the opinion of the Directors' the written down values of the land and buildings are not materially different from the market values of those assets

Reading Transport Limited

Report of the directors for the year ended 5 October 2008 (*continued*)

Charitable and political contributions

Contributions made by the company during the year for charitable purposes amounted to £1,334 (2007 - £1,322). No political contributions were made during the year.

Employees

During the year the internal employee communication programme was further developed, building on progress in previous years. The weekly Bulletin was introduced in October 2007 and has been issued weekly ever since. It is sent to all staff in either e-mail or paper form. The Bulletin is supported by electronic Flash Boards, positioned in key locations and used to convey important messages to staff in real time. Within departments, separate monthly newsletters are also issued. In addition, a programme of Business Awareness Forums was run throughout the year, where a group of up to twelve employees, drawn from all sectors, was given the opportunity to learn more about the workings of the Company as a business, in a moderated seven-hour off the job course. This was evolved into a subsequent programme of Business Action Forums, which were provided during the following year.

Much work was done in the year to overhaul and re-refresh the training function within the company. This was building up to the launch of the RTL Academy in October 2008 – which has subsequently brought new and much higher standards to staff development and training.

Continuous recruitment took place during the year. The Company is proud of its record in seeking to treat all employees and potential recruits in the same way regardless of their sex, race, ethnic origin or disability and to develop a positive and supportive approach to all employees.

Financial Instruments

The Company's Policy in respect of interest rate risk and liquidity risk is to maintain a mixture of long term and short term debt finance and readily accessible bank deposits to ensure that the Company has sufficient funds for its operations. The cash deposits are held in current and deposit accounts which earn interest at a floating rate. Debt is maintained at fixed interest rates.

Directors

The directors of the company at 5 October 2008, all of whom, unless stated, served throughout the year then ended, were:

Mr S M Singleton-White (Chair)
Mr J Freeman (Chief Executive Officer)
Mr J Carney (Financial Director and Company Secretary)
Mr S Simpson (Operations Director)
Mr D M Downes
Councillor R J Green (resigned 1 May 2008)
Councillor A W Page (resigned 1 July 2008)
Councillor A Jones (resigned 1 December 2008)
Councillor W Swain (appointed 1 May 2008)
Councillor M Townend (appointed 1 May 2008)
Mr F Connelly
Mr K Moffatt
Mr D Sutton (appointed September 2008)

At 5 October 2008, third party indemnity cover in respect of the company's directors was in force.

Reading Transport Limited

Report of the directors for the year ended 5 October 2008 (*continued*)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 profit or loss of the company for that year. 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, subject to any material departure disclosed and explained in the financial statements; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

On behalf of the Board



J Freeman
Director

28/7/09

Reading Transport Limited

Report of the independent auditors

To The Shareholders Of Reading Transport Limited

We have audited the financial statements of Reading Transport Limited for the year ended 5 October 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Reading Transport Limited

Independent auditor's report (*Continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 5 October 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*

Reading

28 July 2009

Reading Transport Limited

Profit and loss account for the year ended 5 October 2008

	Note	2008 £'000	2007 £'000
Turnover	2	27,092	25,170
Operating costs	3	26,315	24,711
Operating profit	6	777	459
Profit on disposal of fixed assets		349	211
		1,126	670
Interest receivable and similar income		158	114
Interest payable and similar charges	7	(706)	(477)
Other finance costs	8	(104)	(324)
Profit/(loss) on ordinary activities before taxation		474	(17)
Taxation on profit/(loss) from ordinary activities	9	173	44
Profit on ordinary activities after taxation		647	27

All amounts relate to continuing activities.

The notes on pages 12 to 30 form part of these financial statements

Reading Transport Limited

Statement of total recognised gains and losses for the year ended 5 October 2008

	Note	2008 £'000	2007 £'000 Restated
Profit for the year		647	27
Actuarial gains and losses on defined benefit pension scheme	23	(993)	5,607
Deferred tax on pension scheme liability – origination and reversal of timing differences		(123)	(1,119)
– changes in tax rates		76	130
Total recognised gains and losses for the year		(393)	4,645
Prior year adjustment	1	(293)	
Total gains and losses recognised since last annual report		(686)	

The notes on pages 12 to 30 form part of these financial statements

Reading Transport Limited

Balance sheet at 5 October 2008

	Note	2008 £'000	2008 £'000	2007 £'000 Restated	2007 £'000 Restated
Fixed assets					
Tangible assets	10		23,257		18,458
Investments	11		96		96
			<u>23,353</u>		<u>18,554</u>
Current assets					
Stocks	12	367		263	
Debtors	13	1,853		2,107	
Cash at bank and in hand		3,423		2,505	
			<u>5,643</u>	4,875	
Creditors: amounts falling due within one year	14	4,296		3,580	
			<u>1,347</u>		1,295
Net current assets			<u>1,347</u>		1,295
Total assets less current liabilities			<u>24,700</u>		19,849
Creditors: amounts falling due after more than one year	15	13,410		8,284	
Provision for liabilities and charges	16	997		991	
			<u>14,407</u>		9,275
Net assets excluding pension liability			<u>10,293</u>		10,574
Pension liability	23		(6,160)		(6,048)
Net assets including pension liability			<u>4,133</u>		4,526

The notes on pages 12 to 30 form part of these financial statements

Reading Transport Limited

Balance sheet
at 5 October 2008 (continued)

	Note	2008 £'000	2007 £'000 Restated
Capital and reserves			
Called up share capital	18	3,974	3,974
Profit and loss account	19	159	552
		<hr/>	<hr/>
Equity shareholder's funds	20	4,133	4,526
		<hr/>	<hr/>

The financial statements were approved by the Board and authorised for issue on 28/7/09



J Freeman
Director

The notes on pages 12 to 30 form part of these financial statements

Reading Transport Limited

Cash flow statement for the year ended 5 October 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Net cash inflow from operating activities	25		2,850		1,979
Returns on investments and servicing of finance					
Interest received		158		114	
Interest element of finance lease rental payments		(706)		(477)	
			(548)		(363)
Taxation					
UK corporation tax			-		14
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(3,341)		(901)	
Sale of tangible fixed assets		564		390	
			(2,777)		(511)
Cash (outflow)/inflow before use of liquid resources and financing			(475)		1,119
Financing					
Capital element of finance lease rental payments		(1,417)		(895)	
Loan repayments		(831)		(181)	
Loan advanced in year		2,807		-	
Grants received		834		-	
			1,393		(1,076)
Increase in cash	26,27		918		43

The notes on pages 12 to 30 form part of these financial statements

Reading Transport Limited

Notes forming part of the financial statements for the year ended 5 October 2008

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Group financial statements

The financial statements contain information about Reading Transport Limited as an individual company and do not contain consolidated information as the parent of a group. The directors have taken the exemption not to include the subsidiary companies within consolidated financial statements because their net assets would not be material to the financial statements.

Goodwill

Purchased goodwill is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is amortised through the profit and loss account over the directors' estimate of its useful economic life.

Tangible fixed assets

All tangible fixed assets are stated at cost, which is their purchase price together with any incidental expenses of acquisition. The purchase price of assets taken over at 20 October 1986 was established by a valuation in accordance with guidelines issued by the Department of Transport.

Depreciation is calculated so as to write off the cost of tangible fixed assets, except freehold land, less their estimated residual values, on a systematic basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Long leasehold premium	-	over the period of the lease
Freehold and long leasehold buildings	-	2% - 4% straight line
Plant and machinery	-	10%-20% straight line
Buses	-	10% straight line
Other vehicles	-	9½% - 33% straight line

Investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

Impairment of fixed assets and goodwill

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of its realisable value and value in use.

Grants

Grants in respect of capital expenditure are credited to deferred income and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 *(Continued)*

1 Accounting policies *(Continued)*

Finance and operating leases

Assets held under finance leases are treated as if they had been purchased outright and are capitalised at an amount equal to the fair value of the asset at the inception of the lease and depreciated on a systematic basis over the shorter of the lease term and its useful life. The capital element of the leasing commitments is shown as obligations under finance leases. Finance charges are allocated to accounting years so as to produce a constant periodic rate of charge on the remaining balance of the obligation. Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost, including transport and handling costs, and net realisable value. In some cases the cost of components is the part exchange value net of allowances for returned, defective parts. Net realisable value is determined by a review of forecast future use. Provision is made where necessary for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes value added tax, represents amounts receivable by the company for services provided in the ordinary course of business. Income from travel cards is apportioned and recognised in turnover according to the period for which the travel card is valid.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred.

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

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Accident claims

The company maintains insurance cover against third party liability claims for the amount on each claim that exceeds the excess. Any claims below the excess or those disputed by the insurers are charged to the profit and loss account in the year in which they arise subject to an annual aggregated maximum charge.

Reading Transport Limited

Notes forming part of the financial statements for the year ended 5 October 2008 (Continued)

1 Accounting policies (Continued)

Pension costs

Employees of the company are eligible to join one of the two defined benefit schemes to which the company contributes, depending upon date of appointment as follows:

- (a) Employees at 20 October 1986 have been deemed to be employees of Reading Borough Council for pension purposes and are members of the local government superannuation scheme, to which the company contributes in accordance with the Local Government Superannuation Regulations.
- (b) Employees who joined the company since 20 October 1986, together with any employees who are eligible for the local government scheme who wish to leave that scheme, are eligible to join the Reading Transport Staff Retirement Scheme.

The funds are valued every three years by independent qualified actuaries, the rates of contribution payable being determined by the actuaries. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the year during which the company benefits from employees' services. Variations in pension cost are spread over the expected service lives of current employees.

The company fully adopted accounting standard FRS 17 "Retirement Benefits" during the year ended 30 September 2007 and adopted the amendments to FRS 17 during the year ended 5 October 2008. The adoption of the amendments to FRS 17 have resulted in a prior period adjustment as disclosed below.

The difference between the fair value of the assets held in the company's defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method, are recognised in the company's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contributions by the company are charged to the profit and loss account or statement of total recognised gains and losses in accordance with FRS 17 "Retirement benefits".

The company provides no other post retirement benefits to its employees.

Prior period adjustment

As described above, the company adopted the amendments to FRS 17 "Retirement Benefits" during the year ended 5 October 2008. Although the majority of the changes arising from the adoption of this amended standard are disclosure related, the change in the basis of valuation of pension scheme assets from a mid-market basis to a current bid price basis has resulted in a prior period adjustment. The impact of the adjustment has been to increase the pension deficit (net of deferred tax asset) by £293,000 at 30 September 2007 and by £236,000 at 30 September 2006. Reserves and shareholder's funds at each balance sheet date have decreased by the same amount.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 *(Continued)*

3 Operating costs	2008	2007
	£'000	£'000
Raw materials and consumables	3,131	2,916
Other external charges	4,295	3,976
Staff costs (see note 4)	16,433	15,572
Depreciation	2,456	1,979
Amortisation	-	22
Impairment of intangible fixed assets	-	246
	26,315	24,711
	26,315	24,711
4 Employees	2008	2007
	£'000	£'000
Staff costs consist of:		
Wages and salaries	14,467	13,471
Social security costs	1,247	1,159
Other pension costs	719	942
	16,433	15,572
	16,433	15,572
	2008	2007
	£'000	£'000
Analysis of the amount that has been charged to operating profit:		
Current service cost	643	883
Past service cost	76	75
Other costs	-	(16)
	719	942
Total operating charge	719	942

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 *(Continued)*

4 Employees *(Continued)*

The average number of employees, including directors, during the year was:

	2008 Number	2007 Number
Traffic	416	406
Engineering	80	85
Administration	28	28
	524	519

5 Directors

	2008 £'000	2007 £'000
Directors' emoluments consist of:		
Fees and remuneration for management services	344	246
Compensation for loss of office	-	75
	344	321
Emoluments of the highest paid director:		
Emoluments	111	95

There were 4 directors in the company's defined benefit pension schemes during the year (2007 – 4).

The highest paid director is a member of one of the defined benefit schemes, under which he has an accrued pension at the year end of £831 and an accrued lump sum of £1,876. The highest paid director in the previous year had an accrued pension at 30 September 2007 of £25,477 and an accrued lump sum at that date of £118,770.

6 Operating profit

	2008 £'000	2007 £'000
This has been arrived at after (crediting)/charging:		
Depreciation	2,456	1,979
Amortisation	-	22
Impairment of intangible fixed assets	-	246
Hire of plant and machinery - operating leases	263	150
Grants receivable	(38)	-
Auditors' remuneration		
- audit	26	25
- services relating to taxation	7	8
- all other services	14	6
	2,718	2,436

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 *(Continued)*

7 Interest payable and similar charges	2008 £'000	2007 £'000
Finance leases and hire purchase contracts	575	389
Loan from parent	131	88
	706	477
	706	477
8 Other finance costs	2008 £'000	2007 £'000
Expected return on pension scheme assets	(2,621)	(2,114)
Interest on pension scheme liabilities	2,725	2,438
	104	324
	104	324
9 Taxation on profit/(loss) on ordinary activities	2008 £'000	2007 £'000
<i>Current tax</i>		
UK corporation tax on profit/(loss) of the year	-	-
Adjustment in respect of previous periods	-	(14)
Total current tax	-	(14)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(173)	(30)
Taxation on profit/(loss) on ordinary activities	(173)	(44)

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 (Continued)

9 Taxation on profit/(loss) on ordinary activities (Continued)

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £'000	2007 £'000
Profit/(loss) on ordinary activities before tax	474	(17)
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21% (2007 - 19%)	100	(3)
Effect of:		
Expenses not deductible for tax purposes	2	69
Non-taxable income	(8)	-
Depreciation in excess of capital allowances	48	(21)
Movement in short-term timing differences	17	(16)
Net FRS 17 credit not taxable	(159)	(29)
Adjustments in respect of previous periods	-	(14)
Current tax credit for the year	-	(14)

Factors that may affect the future tax charge

The company has tax losses of approximately £186,000 (2007 - £186,000) to carry forward for offset against future taxable profits of the same trade.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 (*Continued*)

10 Tangible assets

	Freehold land & buildings £'000	Long leasehold land & buildings £'000	Buses and coaches £'000	Plant and machinery £'000	Capital work-in- progress £'000	Total £'000
<i>Cost</i>						
At 1 October 2007	435	5,431	20,302	3,798	13	29,979
Additions	-	-	7,135	330	5	7,470
Disposals	-	-	(2,296)	(496)	-	(2,792)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 5 October 2008	435	5,431	25,141	3,632	18	34,657
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
At 1 October 2007	127	848	7,374	3,172	-	11,521
Provided for the year	10	87	2,085	274	-	2,456
Disposals	-	-	(2,081)	(496)	-	(2,577)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 5 October 2008	137	935	7,378	2,950	-	11,400
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 5 October 2008	298	4,496	17,763	682	18	23,257
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	308	4,583	12,928	626	13	18,458
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included within freehold land and buildings is freehold land at a cost of £195,000.

The net book value of tangible fixed assets includes an amount of £10,959,458 (2007 - £8,050,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge for the year was £1,352,000 (2007 - £967,000).

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 (*Continued*)

11 Fixed asset investments

	Group undertakings £'000
<i>Cost</i>	
At 1 October 2007 and 5 October 2008	208
<i>Provision for diminution in value</i>	
At 1 October 2007 and 5 October 2008	112
<i>Net book value</i>	
At 1 October 2007 and at 5 October 2008	96

The company's subsidiaries, all of which are 100% owned, dormant and registered in Great Britain are as follows:

Greater Reading Omnibus Company Limited
Reading Rovers Limited
Reading Minibuses Limited
Reading Buses Limited
Newbury Buses Limited
Reading Transport Pension Trustees Limited

At 5 October 2008 these companies had combined net assets of £96,000 (2007 - £96,000).

12 Stocks

	2008 £'000	2007 £'000
Spare parts and consumables	367	263

There is no material difference between the replacement cost of stocks and the amounts stated above.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 (Continued)

13 Debtors	2008	2007
	£'000	£'000
Trade debtors	928	1,017
Amounts due from parent undertaking	171	342
Other debtors	476	326
Prepayments and accrued income	278	422
	<hr/>	<hr/>
	1,853	2,107
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

14 Creditors: amounts falling due within one year	2008	2007
	£'000	£'000
Trade creditors	463	638
Amounts owed to parent undertaking	426	212
Amounts owed to subsidiary undertakings	96	96
Other creditors	754	321
Taxation and social security	524	376
Obligations under finance leases and hire purchase contracts	1,256	1,125
Accruals	777	812
	<hr/>	<hr/>
	4,296	3,580
	<hr/>	<hr/>

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 *(Continued)*

15 Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Obligations under finance leases and hire purchase contracts	9,227	6,646
Amounts due to parent undertaking	3,433	1,598
Accruals and deferred income	750	40
	13,410	8,284
Obligations under finance leases are due as follows:		
In one year or less	1,256	1,125
In more than one year but not more than two years	1,259	925
In more than two years but not more than five years	4,113	2,923
In more than five years	3,855	2,798
	10,483	7,771

The total value of finance leases repayable by instalments, any part of which falls due after more than five years, is £10,153,561 (2007 - £6,969,000). These liabilities are repayable in instalments at rates of interest ranging between 4.573% and 10.18% and are secured on the underlying assets.

16 Provision for liabilities and charges

	Deferred tax £'000	Uninsured claims £'000	Total £'000
At 1 October 2007	416	575	991
Transferred to profit and loss account	-	6	6
	416	581	997

The uninsured claims provision represents the estimated amount payable at the year end, by the company, in respect of outstanding insurance claims below the company's excess of £25,000 (2007 - £35,000) per claim. It is secured by a fixed charge amounting to £550,000 (2007 - £550,000) over the company's assets.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 *(Continued)*

17 Deferred taxation

	2008 Provided in accounts £'000	2007 Provided in accounts £'000
Accelerated capital allowances	456	456
Other	(3)	(3)
	453	453
Unutilised tax losses	(37)	(37)
	416	416

18 Share capital

	Authorised		Allotted, called up and fully paid	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Ordinary shares of £1 each	3,974	3,974	3,974	3,974
	3,974	3,974	3,974	3,974

19 Reserves

	Profit and loss account £'000
At 1 October 2007 – as originally stated	845
Prior period adjustment (note 1)	(293)
	552
At 1 October 2007 – as restated	552
Profit for the year	647
Actuarial losses on defined benefit pension scheme	(993)
Deferred tax on pension scheme liability	(47)
	159
At 5 October 2008	159

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 (Continued)

20 Reconciliation of movement in shareholder's funds	2008	2007
	£'000	£'000 Restated
Profit for the year	647	27
Actuarial (losses)/gains on defined benefit pension scheme	(993)	5,607
Deferred tax on pension scheme liability	(47)	(989)
	<u>(393)</u>	<u>4,645</u>
Opening shareholder's funds – as originally stated	4,819	117
Prior period adjustment (note 1)	(293)	(236)
Opening shareholder's funds – as restated	<u>4,526</u>	<u>(119)</u>
Closing shareholder's funds	<u>4,133</u>	<u>4,526</u>
21 Capital commitments	2008	2007
	£'000	£'000
Contracted but not provided for	<u>137</u>	<u>4,145</u>

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 (Continued)

22 Commitments under operating leases

As at 5 October 2008, the company had annual commitments under non-cancellable operating leases, none of which relate to land and buildings, as set out below:

	2008 £'000	2007 £'000
Operating leases which expire:		
Within one year	49	-
Within two to five years	212	208
	<hr/>	<hr/>
	261	208
	<hr/>	<hr/>

23 Pension and similar obligations

The company operates two defined benefit pension schemes funded both by employers and employees' contributions with assets held in separate, trustee administered funds. These schemes are referred to in note 1.

(a) *Reading Transport Staff Retirement Scheme*

This scheme was established under an irrevocable Deed of Trust by Reading Transport Limited for its employees. The scheme is managed by a corporate trustee accountable to the pension scheme members.

(c) *Local Government Superannuation Fund*

This fund was established under an irrevocable Deed of Trust by Reading Transport Limited for its employees. The fund is managed by the Royal Borough of Windsor and Maidenhead who are accountable to the pension fund members. This scheme is closed to new members. Under the projected unit method, the current service cost will increase as members approach retirement.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 *(Continued)*

23 Pension and similar obligations *(Continued)*

	2008 £'000	2007 £'000
<i>Reconciliation of present value of defined benefit obligations:</i>		
At the beginning of the year	46,633	48,638
Current service cost	643	883
Past service cost	76	75
Interest cost	2,725	2,438
Actuarial losses/(gains)	(6,619)	(4,629)
Contributions	753	687
Benefits paid	(1,827)	(1,430)
Unfunded pension payments	(30)	(29)
	42,354	46,633

	2008 £'000	2007 £'000 Restated
<i>Reconciliation of fair value of plan assets:</i>		
At the beginning of the year	39,073	35,318
Expected return on plan assets	2,621	2,107
Actuarial gains/(losses)	(7,612)	984
Contributions by company	1,579	1,436
Contributions by participants	753	687
Benefits paid	(1,857)	(1,459)
	34,557	39,073

The company expects to contribute £1,464,000 to its defined benefit pension plans during the year ending 3 October 2009.

	2008 £'000	2007 £'000 Restated
<i>Reconciliation to balance sheet:</i>		
Present value of funded obligations	41,948	46,125
Fair value of plan assets	(34,557)	(39,073)
	7,391	7,052
Present value of unfunded obligations	406	508
	7,797	7,560
Plan deficit	7,797	7,560
Related deferred tax asset	(1,637)	(1,512)
	6,160	6,048
Net liability	6,160	6,048

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 *(Continued)*

23 Pension and similar obligations <i>(Continued)</i>	2008 £'000	2007 £'000
<i>The amounts recognised in profit and loss are as follows:</i>		
<i>Included in administrative expenses:</i>		
Current service cost	643	883
Past service cost	76	75
<i>Included in other finance costs:</i>		
Interest cost	2,725	2,438
Expected return on plan assets	(2,621)	(2,114)
	823	1,282
	2008 £'000	2007 £'000
<i>Amounts recognised in statement of total recognised gains and losses:</i>		
Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	(993)	5,607
	(6,628)	(5,635)
	2008 %	2007 %
<i>The major categories of plan assets as a percentage of total plan assets are as follows:</i>		
Equities	57.84	63.62
Gilts	5.02	3.78
Other bonds	25.68	18.95
Property	7.68	9.94
Cash	3.78	3.71
	100.00	100.00

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 *(Continued)*

23 Pension and similar obligations *(Continued)*

Narrative description of the basis used to determine the overall expected rate of return of assets:

Overall expected rate of return on plan assets is based upon the long term expectation for each asset class at the beginning of the accounting period.

	2008 £'000	2007 £'000
Actual return on plan assets	(5,590)	3,100

	2008 %	2007 %
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Principal actuarial assumptions used at the balance sheet date

Discount rates	7.00	5.90
Expected rates of return on plan assets:		
Equities	7.50	7.00
Gilts	4.50	4.70
Other bonds	7.20	5.90
Property	5.80	6.00
Cash	5.00	5.80
Future salary increases	4.60	4.10
Inflation assumption	3.80	3.50
Future pension increases – pre 1997*	3.00	3.00
Future pension increases – pre 1997 – 2006*	3.00	3.50
Future pension increases	3.20	3.00

*applicable to the Reading Transport Staff Retirement Scheme only.

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
<i>Five year history</i>					
Present value of the plan liabilities	(42,354)	(46,633)	(48,638)	(43,691)	(38,350)
Fair value of the plan assets	34,557	39,073	35,318	31,629	26,042
Deficit on the pension plans	(7,797)	(7,560)	(13,320)	(12,062)	(12,308)
<i>Experience adjustments arising on:</i>					
Plan liabilities	1,297	(30)	(731)	1,269	(1,782)
Plan assets	(7,612)	984	1,487	3,709	1,222

As permitted by FRS17 (amended), the company has not restated the disclosures for 2004 and 2005 arising from the change in the valuation basis of assets from mid-market price to current bid-price.

Reading Transport Limited

Notes forming part of the financial statements for the year ended 5 October 2008 (Continued)

24 Related party transactions and controlling party

The company is wholly owned by Reading Borough Council, which is the company's ultimate controlling party. The following related party transactions took place between the company and Reading Borough Council during the year:

- the company has received income of £2,434,588 (2007 - £2,435,000) as its share of a concessionary fares scheme;
- the company paid £95,000 (2007 - £30,000) for marketing and other services.

During the year ended 5 October 2008, the company entered into a loan agreement with Reading Borough Council. The total amount borrowed was £2,807,000 and interest is payable at rates between 4.95% and 5.30% per annum.

During the year ended 5 October 2008, the company received a grant of £834,000 from Reading Borough Council in respect of the reduction of the company's carbon footprint through a switch to ethanol fuel.

At the year end, the company owed £3,692,501 to Reading Borough Council (2007 – £1,468,000).

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

	2008 £'000	2007 £'000
Operating profit	777	459
Depreciation	2,456	1,979
Amortisation	-	22
Impairment of intangible fixed assets	-	246
Adjustments relating to defined benefit pension schemes	(860)	(476)
(Increase)/decrease in stocks	(104)	50
Decrease/(increase) in debtors	254	(371)
Increase in creditors	359	98
Increase /(decrease) in provisions	6	(28)
Amortisation of grant	(38)	-
	<hr/>	<hr/>
Net cash inflow from operating activities	2,850	1,979
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Reading Transport Limited

Notes forming part of the financial statements
for the year ended 5 October 2008 *(Continued)*

26 Reconciliation of net cash inflow to movement in net debt	2008 £'000	2007 £'000		
Increase in cash in the year	918	43		
Cash outflow from debt, lease and hire purchase financing	(559)	1,076		
	359	1,119		
Change in net debt resulting from cash flows	359	1,119		
New finance leases, hire purchase agreements and loans	(4,129)	(2,756)		
	(3,770)	(1,637)		
Movement in net debt in the year	(3,770)	(1,637)		
Opening net debt	(7,054)	(5,417)		
	(10,824)	(7,054)		
Closing net debt	(10,824)	(7,054)		
27 Analysis of changes in net debt				
	At 1 October 2007 £'000	Cash flow £'000	Other non-cash changes £'000	At 5 October 2008 £'000
Cash in hand and at bank	2,505	918	-	3,423
Debt due within one year	(190)	831	(972)	(331)
Debt due after one year and new loan	(1,598)	(2,807)	972	(3,433)
Finance leases	(7,771)	1,417	(4,129)	(10,483)
	(9,559)	(559)	(4,129)	(14,247)
	(7,054)	359	(4,129)	(10,824)
	(7,054)	359	(4,129)	(10,824)

28 Major non-cash transactions

During the year the company entered into finance lease and hire purchase arrangements in respect of fixed assets with a total capital value at the inception of the lease of £4,129,278 (2007 - £2,756,000).