

REGISTRAR'S COPY

**COMPANY
NUMBER: 2004963**

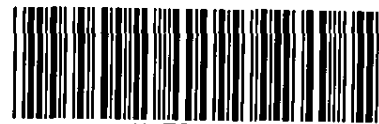
Reading Transport Limited

Report and Financial Statements

Year Ended

30 September 2007

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BDO Stoy Hayward
Chartered Accountants

Reading Transport Limited

Annual report and financial statements
for the year ended 30 September 2007

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Directors

Councillor S M Singleton-White	Mr J Carney
Councillor A Jones	Mr S Simpson
Mr J Freeman	Mr D M Downes
Mr K Moffatt	Councillor W Swain (appointed 1 May 2008)
Mr F Connelly	Councillor M Townend (appointed 1 May 2008)

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 30 September 2007

The directors present their report together with the audited financial statements for the year ended 30 September 2007

Results and dividends

The profit and loss account of the company is set out on page 8 and shows the result for the year

A dividend amounting to £Nil was paid to ordinary shareholders during the year (2006 - £150,000)

The directors do not recommend the payment of a final dividend (2006 - £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

Trading to date and future prospects

During the past year, turnover from the company's operations increased by £1.5m (6.4%). Financial performance was satisfactory despite continuing cost pressures from wage increases, pension contributions and depreciation charges. All divisions of the business made a financial contribution although the financial performance of coach operations was disappointing.

Reading Transport's board's main objective is to increase patronage on all the company's bus services. This strategic aim is to reduce congestion in Reading and Newbury to improve lifestyles and stimulate economic growth. In Reading, congestion currently costs citizens and businesses approximately £52 million each year but through higher use of bus travel this cost can be reduced. There are encouraging signs that this objective can be achieved because after a long period of decline the Reading network's patronage grew by 1% in 2006/07. The company has continued to invest in modernising its fleet of vehicles and has ordered £6.9 million of new buses to complete the Premier Route network and acquired 14 ethanol powered buses which were delivered in May 2008.

The business has met the challenge of changing its maintenance regime to accommodate its new fleet. There have been changes in the maintenance supervision and substantial savings made in both the cost of labour and component parts.

Risks and uncertainties faced by the company

The board has a five year business plan to guide its decisions. This has enabled the company to set priorities and seek stakeholder agreement to changes that are designed to make the public think differently about our services. We see signs of community support in the many ways we interact with the local media.

The October 2006 fares' increase was larger than normal but increased costs of pensions and depreciation drove the situation. It is clear from our patronage levels that we did not exceed what the market can bear.

Reading Transport Limited

Report of the directors for the year ended 30 September 2007 (continued)

Risks and uncertainties faced by the company (continued)

The Shareholder has recognised the role an expanded bus network has on the local economy and financed the installation of an ethanol pump station in March 2008. This fuel has been given a mixed commentary by critics, but the board is convinced that because the fuel is purchased from a UK producer deriving the ethanol from waste in sugar beet manufacture, that this is a positive step.

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

The company was able to purchase diesel fuel at a fixed-price during the whole of 2006/07 and renew at the same price for 2007/08. The escalation of fuel costs since the winter of 2007 will put the business under pressure in 2008/09.

Main business KPI's

The company uses the following KPI's to manage its operational and financial activities

Key Performance Indicators	2005/06	2006/07
No of PSV's	201	194
Approximate Fleet Age	6.9 years	6.0 years
Turnover/Vehicle	£117,600	£129,700
Turnover/Employee	£46,500	£48,500
Wage Costs as a Percentage of Turnover	59%	62%
Fuel Costs as a Percentage of Turnover	6.9%	7.5%
Depreciation as a Percentage of Turnover	6.6%	7.9%
Percentage of bus conforming to Euro III emission standard or above	83%	83%

Unusual transactions

The company's Shareholder Reading Borough Council has loaned the company £2,167,990 at a commercial rate of interest to purchase 17 vehicles. Details of the loan including the outstanding capital are provided in note 25 to the statements.

The board has decided that the remaining goodwill (£246,000) that arose from the acquisition of the Greater Reading Omnibus Company Limited (trading as Reading Mainline) should be written off because the Reading Premier Route network has substantially changed the trading environment.

Board changes

Mr James Freeman joined the board as Chief Executive Officer from 1 August 2007. Other changes to the board are detailed below.

Future trading prospects

The rapid escalation in the cost of diesel fuel will not affect the company until October 2008 because of a 12 month fixed-price agreement put in place in September 2007. During this period the business has been reorganised to increase margins and meet this extra cost. Part of our response was a fares increase in July 2008.

Reading Transport Limited

Report of the directors for the year ended 30 September 2007 *(continued)*

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

Charitable and political contributions

Contributions made by the company during the year for charitable purposes amounted to £1,322 (2006 - £2,763)
No political contributions were made during the year

Employees

The company through its management team has an uncompromising commitment to customer service, to involve, develop and reward our employees and to developing a culture within the company to be competitive, modern and outward looking

In order to achieve these objectives the company is continually evolving a comprehensive communications system, including a quarterly newsletter and monthly briefing notices, to ensure that employees fully understand what is happening in the company, both in general and financial terms and that the views of our employees are taken into account when decisions are made

The company believes that, in order to secure the future, a substantial investment is needed in training covering management and supervisory skills and customer care competencies. The company employs engineering apprentices at a time when many companies have reduced and even disbanded such schemes

It has always been company policy to treat job applicants and employees in the same fair way regardless of their sex, race, ethnic origin or disability, and we are keen to ensure that a positive caring approach to good equal opportunities practice is being adopted

The company's policy is to recruit disabled workers for those vacancies they are able to fill. Should an employee become disabled it is our policy to continue the current employment when possible, or to offer alternatives where feasible, giving re-training as necessary

Financial instruments

The main financial risks arising from the company's activities are interest rate risk and liquidity risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date

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 the company has sufficient funds for 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

Reading Transport Limited

Report of the directors for the year ended 30 September 2007 *(continued)*

Directors

The directors of the company at 30 September 2007, all of whom, unless stated, served throughout the year then ended, were

Councillor A Jones (Chair)
Mr C Thompson (resigned 31 December 2006)
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 14 July 2008)
Councillor S M Singleton-White
Mr F Connelly
Mr K Moffatt

At 30 September 2007, third party indemnity cover in respect of the company's directors was in force

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

Reading Transport Limited

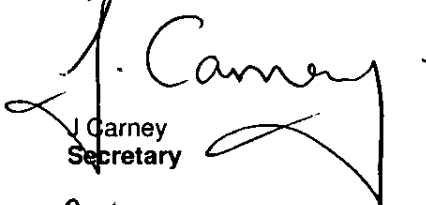
Report of the directors
for the year ended 30 September 2007 *(Continued)*

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.

By order of the Board


J. Carney
Secretary

24/7/08

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 30 September 2007 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 30 September 2007 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*

24 July 2008

Reading Transport Limited

Profit and loss account for the year ended 30 September 2007

	Note	2007 £'000	2006 £'000
Turnover	2	25,170	23,646
Operating costs	3	24,711	21,252
Operating profit	6	459	2,394
Profit on disposal of fixed assets		211	212
		670	2,606
Interest receivable and similar income		114	102
Interest payable and similar charges	7	(477)	(347)
Other finance costs	8	(324)	(229)
(Loss)/profit on ordinary activities before taxation		(17)	2,132
Taxation on (loss)/profit from ordinary activities	9	44	(413)
Profit on ordinary activities after taxation		27	1,719

All amounts relate to continuing activities

The notes on pages 13 to 31 form part of these financial statements

Reading Transport Limited

Statement of total recognised gains and losses for the year ended 30 September 2007

	Note	2007 £'000	2006 £'000
Profit for the year		27	1,719
Actuarial gains and losses on defined benefit pension scheme	24	5,681	(2,633)
Deferred tax on pension scheme liability – origination and reversal of timing differences		(1,136)	500
– changes in tax rates		130	-
		<hr/>	<hr/>
Total recognised gains and losses for the year		4,702	(414)
Prior year adjustment		-	(9,441)
		<hr/>	<hr/>
		4,702	(9,855)
		<hr/>	<hr/>

The notes on pages 13 to 31 form part of these financial statements

Reading Transport Limited

Balance sheet at 30 September 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Intangible assets	10		-		268
Tangible assets	11		18,458		16,959
Investments	12		96		96
			18,554		17,323
Current assets					
Stocks	13	263		313	
Debtors	14	2,107		1,736	
Cash at bank and in hand		2,505		2,462	
		4,875		4,511	
Creditors: amounts falling due within one year	15	3,580		3,208	
Net current assets			1,295		1,303
Total assets less current liabilities			19,849		18,626
Creditors: amounts falling due after more than one year	16	8,284		6,876	
Provision for liabilities and charges	17	991		1,080	
			9,275		7,956
Net assets excluding pension liability			10,574		10,670
Pension liability	24		(5,755)		(10,553)
Net assets including pension liability			4,819		117

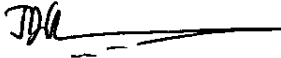
The notes on pages 13 to 31 form part of these financial statements

Reading Transport Limited

Balance sheet
at 30 September 2007 (continued)

	Note	2007 £'000	2006 £'000
Capital and reserves			
Called up share capital	19	3,974	3,974
Profit and loss account	20	845	(3,857)
Equity shareholder's funds	21	4,819	117

The financial statements were approved by the Board and authorised for issue on 24/7/08



J Freeman
Director

The notes on pages 13 to 31 form part of these financial statements

Reading Transport Limited

Cash flow statement for the year ended 30 September 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Net cash inflow from operating activities	26		1,979		1,715
Returns on investments and servicing of finance					
Interest received		114		102	
Interest element of finance lease rental payments		(477)		(347)	
			(363)		(245)
Taxation					
UK corporation tax			14		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(901)		(935)	
Sale of tangible fixed assets		390		363	
			(511)		(572)
Equity dividend paid			-		(150)
Cash inflow before use of liquid resources and financing			1,119		748
Financing					
Capital element of finance lease rental payments		(895)		(926)	
Loan repayments		(181)		(199)	
			(1,076)		(1,125)
Increase/(decrease) in cash	27,28		43		(377)

The notes on pages 13 to 31 form part of these financial statements

Reading Transport Limited

Notes forming part of the financial statements for the year ended 30 September 2007

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. The amortisation charge for the year is set out in note 10.

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.

Reading Transport Limited

Notes forming part of the financial statements for the year ended 30 September 2007 (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 £35,000. Any claims below £35,000 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 30 September 2007 (*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 2006.

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.

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 30 September 2007 (*Continued*)

3 Operating costs	2007 £'000	2006 £'000
Raw materials and consumables	2,916	2,700
Other external charges	3,976	3,612
Staff costs (see note 4)	15,572	13,349
Depreciation	1,979	1,570
Amortisation	22	21
Impairment of intangible fixed assets	246	-
	24,711	21,252
	24,711	21,252
4 Employees	2007 £'000	2006 £'000
Staff costs consist of		
Wages and salaries	13,471	12,840
Social security costs	1,159	1,093
Other pension costs	942	(584)
	15,572	13,349
	15,572	13,349
	2007 £'000	2006 £'000
Analysis of the amount that has been charged/(credited) to operating profit		
Current service cost	883	1,095
Past service cost	75	-
Impact of settlements and curtailments	-	(1,700)
Other costs	(16)	21
	942	(584)
	942	(584)

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 30 September 2007 *(Continued)*

4 Employees *(Continued)*

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

	2007 Number	2006 Number
Traffic	406	399
Engineering	85	83
Administration	28	26
	519	508

5 Directors

	2007 £'000	2006 £'000
Directors' emoluments consist of		
Fees and remuneration for management services	246	302
Compensation for loss of office	75	-
	321	302
Emoluments of the highest paid director		
Emoluments	95	104

There were 4 directors in the company's defined benefit pension schemes during the year (2006 – 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 £25,477 (2006 - £14,668) and an accrued lump sum of £118,770 (2006 - £44,003)

6 Operating profit

	2007 £'000	2006 £'000
This has been arrived at after (crediting)/charging		
Depreciation	1,979	1,570
Amortisation	22	21
Impairment of intangible fixed assets	246	-
Hire of plant and machinery - operating leases	150	307
Auditors' remuneration - audit	25	25
- services relating to taxation	8	19
- all other services	6	6
	1,979	1,570

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 30 September 2007 *(Continued)*

7 Interest payable and similar charges	2007 £'000	2006 £'000
Finance leases and hire purchase contracts	389	251
Loan from parent	88	96
	<u>477</u>	<u>347</u>
8 Other finance costs	2007 £'000	2006 £'000
Expected return on pension scheme assets	(2,114)	(1,922)
Interest on pension scheme liabilities	2,438	2,151
	<u>324</u>	<u>229</u>
9 Taxation on (loss)/profit on ordinary activities	2007 £'000	2006 £'000
<i>Current tax</i>		
UK corporation tax on (loss)/profit of the year	-	-
Adjustment in respect of previous periods	(14)	-
	<u>(14)</u>	<u>-</u>
Total current tax	(14)	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(30)	413
	<u>(30)</u>	<u>413</u>
Taxation on (loss)/profit on ordinary activities	<u>(44)</u>	<u>413</u>

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 30 September 2007 (Continued)

9 Taxation on (loss)/profit 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

	2007 £'000	2006 £'000
(Loss)/profit on ordinary activities before tax	(17)	2,132
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2006 - 19%)	(3)	405
Effect of		
Expenses not deductible for tax purposes	69	5
Capital allowances in excess of depreciation	(21)	(132)
Tax losses arising in the year	-	32
Movement in short-term timing differences	(16)	7
Net FRS 17 credit not taxable	(29)	(317)
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 (2006 - £353,000) 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 30 September 2007 (*Continued*)

10 Intangible assets	Purchased goodwill £'000
<i>Cost</i>	
At 1 October 2006 and at 30 September 2007	436
<i>Amortisation and impairment</i>	
At 1 October 2006	168
Provision for the year	22
Impairment	246
	<hr/>
At 30 September 2007	436
	<hr/>
<i>Net book value</i>	
At 30 September 2007	-
	<hr/>
At 1 October 2006	268
	<hr/>

During the period ended 31 March 1999 the trade and net assets of The Greater Reading Omnibus Company Limited ("GROCL") were transferred to the company at their fair value. Included in the transfer was an amount attributed to goodwill amounting to £436,000, being the directors' best estimate of its fair value. The purchased goodwill is being amortised over the directors' best estimate of its useful economic life of 20 years.

The trade and assets of GROCL have now been fully integrated into those of the company, such that, in the opinion of the directors, no element of the purchased goodwill remains separately identifiable from the company's existing business. Accordingly, during the year the unamortised element of the purchased goodwill was written off to the profit and loss account.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 30 September 2007 (*Continued*)

11 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 2006	435	5,431	19,028	3,559	28	28,481
Additions	-	-	3,349	323	(15)	3,657
Disposals	-	-	(2,075)	(84)	-	(2,159)
	<u>435</u>	<u>5,431</u>	<u>20,302</u>	<u>3,798</u>	<u>13</u>	<u>29,979</u>
At 30 September 2007						
<i>Depreciation</i>						
At 1 October 2006	118	762	7,786	2,856	-	11,522
Provided for the year	9	86	1,568	316	-	1,979
Disposals	-	-	(1,980)	-	-	(1,980)
	<u>127</u>	<u>848</u>	<u>7,374</u>	<u>3,172</u>	<u>-</u>	<u>11,521</u>
At 30 September 2007						
<i>Net book value</i>						
At 30 September 2007	<u>308</u>	<u>4,583</u>	<u>12,928</u>	<u>626</u>	<u>13</u>	<u>18,458</u>
At 30 September 2006	317	4,669	11,242	703	28	16,959

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 £8,050,000 (2006 - £6,045,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge for the year was £967,000 (2006 - £614,000)

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 30 September 2007 (*Continued*)

12 Fixed asset investments

	Group undertakings £'000
<i>Cost</i>	
At 1 October 2006 and 30 September 2007	208
<i>Provision for diminution in value</i>	
At 1 October 2006 and 30 September 2007	112
<i>Net book value</i>	
At 1 October 2006 and at 30 September 2007	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 30 September 2007 these companies had combined net assets of £96,000

13 Stocks

	2007 £'000	2006 £'000
Spare parts and consumables	263	313

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 30 September 2007 (*Continued*)

14 Debtors

	2007 £'000	2006 £'000
Trade debtors	1,017	601
Amounts due from parent undertaking	342	335
Other debtors	326	261
Prepayments and accrued income	422	539
	<hr/>	<hr/>
	2,107	1,736
	<hr/>	<hr/>

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

15 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	638	511
Amounts owed to parent undertaking	212	210
Amounts owed to subsidiary undertakings	96	96
Other creditors	321	377
Taxation and social security	376	325
Obligations under finance leases and hire purchase contracts	1,125	874
Accruals	812	815
	<hr/>	<hr/>
	3,580	3,208
	<hr/>	<hr/>

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 30 September 2007 *(Continued)*

16 Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Obligations under finance leases and hire purchase contracts	6,646	5,036
Amounts due to parent undertaking	1,598	1,788
Accruals and deferred income	2	4
Other creditors	38	48
	8,284	6,876
Obligations under finance leases are due as follows		
In one year or less	1,125	874
In more than one year but not more than two years	925	857
In more than two years but not more than five years	2,923	1,698
In more than five years	2,798	2,481
	7,771	5,910

The total value of finance leases repayable by instalments, any part of which falls due after more than five years, is £6,969,000 (2006 - £4,982,000). These liabilities are repayable in instalments at rates of interest ranging between 4.573% and 10.18% and are secured on the underlying assets.

17 Provision for liabilities and charges

	Deferred tax £'000	Uninsured claims £'000	Total £'000
At 1 October 2006	477	603	1,080
Transferred to profit and loss account	(61)	(28)	(89)
	416	575	991

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 £35,000 per claim. It is secured by a fixed charge amounting to £550,000 over the company's assets.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 30 September 2007 *(Continued)*

18 Deferred taxation

	2007 Provided in accounts £'000	2006 Provided in accounts £'000
Accelerated capital allowances	456	563
Other	(3)	(19)
	453	544
Unutilised tax losses	(37)	(67)
	416	477

19 Share capital

	Authorised		Allotted, called up and fully paid	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Ordinary shares of £1 each	3,974	3,974	3,974	3,974
	3,974	3,974	3,974	3,974

20 Reserves

	Profit and loss account £'000
At 1 October 2006	(3,857)
Profit for the year	27
Actuarial gains on defined benefit pension scheme	5,681
Deferred tax on pension scheme liability	(1,006)
	845
At 30 September 2007	845

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 30 September 2007 (*Continued*)

21 Reconciliation of movement in shareholder's funds	2007	2006
	£'000	£'000
Profit for the year	27	1,719
Dividends	-	(150)
Actuarial gains on defined benefit pension scheme	5,681	(2,633)
Deferred tax on pension scheme liability	(1,006)	500
	<u>4,702</u>	<u>(564)</u>
Opening shareholder's funds	117	681
Closing shareholder's funds	<u>4,819</u>	<u>117</u>
22 Capital commitments	2007	2006
	£'000	£'000
Contracted but not provided for	<u>4,145</u>	<u>1,743</u>

Reading Transport Limited

Notes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)

23 Commitments under operating leases

As at 30 September 2007, the company had annual commitments under non-cancellable operating leases, none of which relate to land and buildings, as set out below

	2007 £'000	2006 £'000
Operating leases which expire		
Within one year	-	3
Within two to five years	208	160
	<hr/>	<hr/>
	208	163
	<hr/>	<hr/>

24 Pension and similar obligations

The company operates two defined benefit pension schemes funded both by employer's 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. The most recent valuation of this scheme was carried out at 1 July 2005.

(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. The most recent valuation of this scheme was carried out at 31 March 2004. 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 30 September 2007 (Continued)

24 Pension and similar obligations (Continued)

The full actuarial valuations of the defined benefit schemes, as detailed above, have been updated to 30 September 2007 by qualified independent actuaries on a FRS 17 basis. The major assumptions used by the actuaries were

	2007	2006
Rate of increase in salaries	3.50% - 4.50%	3.00% - 4.00%
Rate of increase for pensions in payment - pre 6 April 1997	3.00% - 3.50%	3.00%
- post 5 April 1997	3.50%	3.00% - 3.25%
- post 2007*	2.25%	2.25%
Discount rate	5.90%	5.00%
Inflation assumption	3.50%	3.00%

* Reading Transport Staff Retirement Scheme only

The assets in the schemes and the expected long term rate of return at 30 September 2007 were

	2007 %	2007 £'000	2006 %	2006 £'000
Equities	7.00	25,124	6.50	22,342
Bonds	4.70 - 5.90	8,948	4.20 - 5.00	8,150
Other- Property	6.00	3,993	5.50	3,556
- Cash	5.80	1,374	4.75	1,562
		39,439		35,610

The following amounts at 30 September 2007 were measured in accordance with the requirements of FRS 17

	2007 £'000	2006 £'000
Total market value of assets	39,439	35,610
Present value of schemes liabilities	(46,633)	(48,638)
Deficit in the schemes	(7,194)	(13,028)
Related deferred tax asset	1,439	2,475
Net pension deficit	(5,755)	(10,553)

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 30 September 2007 (Continued)

24 Pension and similar obligations (Continued)

The actuarial gains and losses charged to the Statement of Total Recognised Gains and Losses "STRGL" are analysed as follows

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Actual return less expected return on pension schemes assets	1,046	1,558	3,709	1,222	(4,761)
Changes in assumptions underlying the present value of the schemes liabilities	4,660	(3,470)	(4,206)	(627)	(2,248)
Experience losses arising on the schemes liabilities	(25)	(721)	1,269	(1,782)	(952)
Actuarial gain/(loss) recognised in STRGL	5,681	(2,633)	772	(1,187)	(7,961)

	2007 £'000	2006 £'000
<i>Movement in combined deficit during the year</i>		
Combined deficit in schemes at beginning of the year	(13,028)	(12,062)
Movement in year		
Current service cost	(883)	(1,095)
Past service cost	(75)	-
Contributions	1,435	1,291
Impact of settlements / curtailments	-	1,700
Other finance costs (see note 8)	(324)	(229)
Actuarial gain/(loss)	5,681	(2,633)
Combined deficit in schemes at end of the year	(7,194)	(13,028)

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
<i>History of experience gains and losses</i>					
Difference between the expected and actual return on both schemes assets					
- amount	1,046	1,558	3,709	1,222	(4,761)
- percentage of both schemes assets	2.7%	4.4%	11.7%	4.7%	(20.2%)
Experience losses on both schemes liabilities					
- amount	(25)	(721)	1,269	(1,782)	(952)
- percentage of the present value of both schemes liabilities	(0.1%)	(1.5%)	2.9%	(4.6%)	(2.8%)
Total amount recognised in statement of total recognised gains and losses					
- amount	5,681	(2,633)	772	(1,187)	(7,961)
- percentage of the present value of both schemes liabilities	12.2%	(5.4%)	1.8%	(3.1%)	(23.5%)

Reading Transport Limited

Notes forming part of the financial statements for the year ended 30 September 2007 (Continued)

25 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 £2,435,000 (2006 - £2,684,000) as its share of a concessionary fares scheme,
- the company paid £30,000 (2006 - £27,000) for marketing services and £Nil (2006 - £39,000) for commission.

During the year ended 30 September 2006, the company purchased 9 buses from Reading Borough Council for a consideration of £661,000. In addition an amount of £2,167,990 owed to the Council, was converted into a loan.

At the year end, the company owed £1,468,000 to Reading Borough Council (2006 - £1,662,000).

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

	2007 £'000	2006 £'000
Operating profit	459	2,394
Depreciation	1,979	1,570
Amortisation	22	21
Impairment of intangible fixed assets	246	-
Non cash items relating to defined benefit pension scheme	(476)	(1,896)
Decrease/(increase) in stocks	50	(63)
(Increase)/decrease in debtors	(371)	1
Increase/(decrease) in creditors	98	(226)
Decrease in provisions	(28)	(86)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,979	1,715
	<hr/>	<hr/>

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 30 September 2007 *(Continued)*

27 Reconciliation of net cash inflow to movement in net debt

	2007 £'000	2006 £'000
Increase/(decrease) in cash in the year	43	(377)
Cash outflow from debt, lease and hire purchase financing	1,076	1,125
	1,119	748
Change in net debt resulting from cash flows	1,119	748
New finance leases, hire purchase agreements and loans	(2,756)	(5,358)
	(1,637)	(4,610)
Movement in net debt in the year	(1,637)	(4,610)
Opening net debt	(5,417)	(807)
	(7,054)	(5,417)
Closing net debt	(7,054)	(5,417)

28 Analysis of changes in net debt

	At 1 October 2006 £'000	Cash flow £'000	Other non-cash changes £'000	At 30 September 2007 £'000
Cash in hand and at bank	2,462	43	-	2,505
Debt due within one year	(181)	181	(190)	(190)
Debt due after one year	(1,788)	-	190	(1,598)
Finance leases	(5,910)	895	(2,756)	(7,771)
	(7,879)	1,076	(2,756)	(9,559)
	(5,417)	1,119	(2,756)	(7,054)
	(5,417)	1,119	(2,756)	(7,054)

29 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 £2,756,000 (2006 - £3,190,000)