

**RE-SCAN**

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**COMPANY  
NUMBER: 2004963**

**Reading Transport Limited**

Report and Financial Statements

Year Ended  
30 September 2005



**BDO**

BDO Stoy Hayward  
Chartered Accountants

**READING TRANSPORT LIMITED**

**Annual report and financial statements for the year ended 30 September 2005**

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**Directors**

Councillor A W Page  
Mr C Thompson  
Mr J Carney  
Mr S Simpson  
Mr D M Downes

Councillor R J Green  
Councillor A Jones  
Councillor J E Orton  
Councillor S Singleton-White

**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 2005**

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The directors present their report together with the audited financial statements for the year ended 30 September 2005.

#### **Results and dividends**

The profit and loss account of the company is set out on page 6 and shows the result for the year.

A dividend amounting to £324,790 was paid to ordinary shareholders during the year (2004 - £250,000).

The directors do not recommend the payment of a final dividend (2004- £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**

The company has continued to trade in a satisfactory way with improved profit levels during the financial year ended 30 September 2005. Future prospects for profit generation are, however, going to be adversely affected by rising unit costs especially those related to fuel, pension costs and depreciation.

We have embarked on an ambitious capital investment programme. In October 2004 the first of the company's premier routes were launched on service 17. The capital plan envisages that there will be nine premier routes in operation by September 2008. The indications are that the new vehicles combined with roadside infrastructure improvements such as real time passenger information have halted patronage losses on premier routes.

Staff play an important part in our plans and we have increased significantly investment in training. In August 2005 the Company achieved its target of 95% of its driving staff holding an NVQ level II.

#### **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 £825 (2004 - £2,558). No political contributions were made during the year.

## READING TRANSPORT LIMITED

### Report of the directors for the year ended 30 September 2005 (*Continued*)

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#### 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.

#### Directors

The directors of the company at 30 September 2005, all of whom, unless stated, served throughout the year then ended, were:

Councillor A W Page (Chair)  
Mr C Thompson (Managing Director)  
Mr J Carney (Financial Director and Company Secretary)  
Mr S Simpson  
Mr D M Downes  
Councillor R J Green  
Councillor A Jones  
Councillor J E Orton  
Councillor S M Singleton-White

At 30 September 2005, third party indemnity cover in respect of the company's directors was in force.

A W Page stepped down as Chair in December 2005 in favour of A Jones.

## READING TRANSPORT LIMITED

### Report of the directors for the year ended 30 September 2005 (Continued)

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#### Directors' interests in shares of the company

None of the directors had any interest in the shares of the company.

#### Directors' responsibilities

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:

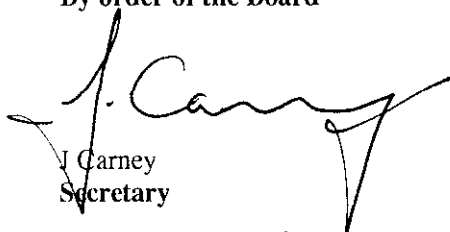
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare 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

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  
26/07/06

## READING TRANSPORT LIMITED

### Report of the independent auditors

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#### To the shareholders of Reading Transport Limited

We have audited the financial statements of Reading Transport Limited for the year ended 30 September 2005 on pages 6 to 27 which have been prepared under the accounting policies set out on pages 9 to 11.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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

This 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 United Kingdom Auditing Standards 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 judgements 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**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Reading

26 July 2006

## READING TRANSPORT LIMITED

### Profit and loss account for the year ended 30 September 2005

	Note	2005 £'000	2004 £'000
Turnover	2	22,941	21,704
Operating costs	3	22,251	21,347
<b>Operating profit</b>	6	<b>690</b>	<b>357</b>
Profit on disposal of fixed assets		185	27
		<b>875</b>	<b>384</b>
Interest receivable and similar income		100	68
Interest payable and similar charges	7	(220)	(140)
<b>Profit on ordinary activities before taxation</b>		<b>755</b>	<b>312</b>
Taxation on profit from ordinary activities	8	184	(55)
<b>Profit on ordinary activities after taxation</b>		<b>571</b>	<b>367</b>
Dividends - paid	9	325	250
<b>Retained profit for the year</b>		<b>246</b>	<b>117</b>

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 9 to 27 form part of these financial statements



**READING TRANSPORT LIMITED**

**Balance sheet at 30 September 2005**

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<b>Fixed assets</b>					
Intangible assets	10		289		312
Tangible assets	11		14,555		10,472
Investments	12		96		96
			<u>14,940</u>		<u>10,880</u>
<b>Current assets</b>					
Stocks	13	250		245	
Debtors	14	1,737		2,195	
Cash at bank and in hand		2,839		1,831	
		<u>4,826</u>		<u>4,271</u>	
<b>Creditors: amounts falling due within one year</b>	15	5,380		2,668	
<b>Net current (liabilities)/assets</b>			<u>(554)</u>		<u>1,603</u>
<b>Total assets less current liabilities</b>			<u>14,386</u>		<u>12,483</u>
<b>Creditors: amounts falling due after more than one year</b>	16	2,865		1,512	
<b>Provision for liabilities and charges</b>	17	1,399		1,095	
		<u>4,264</u>		<u>2,607</u>	
<b>Net assets</b>			<u>10,122</u>		<u>9,876</u>
<b>Capital and reserves</b>					
Called up share capital	19		3,974		3,974
Profit and loss account	20		6,148		5,902
<b>Equity shareholder's funds</b>	21		<u>10,122</u>		<u>9,876</u>

The financial statements were approved by the Board on



S Simpson  
Director

26/07/06

The notes on pages 9 to 27 form part of these financial statements

READING TRANSPORT LIMITED

Cash flow statement for the year ended 30 September 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<b>Net cash inflow from operating activities</b>	26		2,764		1,869
<b>Returns on investments and servicing of finance</b>					
Interest received		100		68	
Interest element of finance lease rental payments		(220)		(140)	
			(120)		(72)
<b>Taxation</b>					
UK corporation tax			3		-
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(1,214)		(511)	
Sale of tangible fixed assets		682		103	
			(2,700)		(408)
<b>Equity dividend paid</b>			(325)		(575)
<b>Cash inflow before use of liquid resources and financing</b>			1,790		814
<b>Financing</b>					
Capital element of finance lease rental payments		(782)		(537)	
			(782)		(537)
<b>Increase in cash</b>	27, 28		1,008		277

The notes on pages 9 to 27 form part of these financial statements

## READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. In preparing these financial statements the company has taken advantage of the transitional arrangements available under Financial Reporting Standard 17 "Retirement benefits". The transitional arrangements under FRS 17 has given rise to additional disclosures about the company's defined benefit schemes (see note 24). 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.

## READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

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### 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.

#### *Taxation*

The charge for taxation is based on the profit for the year as adjusted for disallowable items.

#### *Deferred taxation*

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefit in the future is uncertain. Deferred tax assets and liabilities recognised 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 2005 (*Continued*)

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### 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 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.

### 3 Operating costs

	2005 £'000	2004 £'000
Raw materials and consumables	2,658	2,457
Other external charges	3,881	3,557
Staff costs (see note 4)	14,517	14,308
Depreciation	1,172	1,001
Amortisation	23	24
	<hr/>	<hr/>
	22,251	21,347
	<hr/>	<hr/>

## READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

### 4 Employees

	2005	2004
	£'000	£'000
Staff costs consist of:		
Wages and salaries	12,659	12,377
Social security costs	1,070	1,046
Other pension costs	788	885
	<u>14,517</u>	<u>14,308</u>

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

	2005	2004
	Number	Number
Traffic	409	416
Engineering	87	87
Administration	28	25
	<u>524</u>	<u>528</u>

### 5 Directors

	2005	2004
	£'000	£'000
Directors' emoluments consist of:		
Fees and remuneration for management services	292	270
Emoluments of the highest paid director:		
Emoluments	100	93

There were 4 directors in the company's defined benefit pension schemes during the year (2004 - 5).

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 £13,133 (2004 - £11,180) and an accrued lump sum of £39,400 (2004 - £33,539).

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

6 Operating profit

	2005	2004
	£'000	£'000
This has been arrived at after (crediting)/charging:		
Depreciation	1,172	1,001
Amortisation	23	24
Hire of plant and machinery - operating leases	439	285
Other operating lease rentals	-	3
Auditors' remuneration - audit	26	31
- other services	24	16
	<u>          </u>	<u>          </u>

7 Interest payable and similar charges

	2005	2004
	£'000	£'000
Finance leases	220	140
	<u>          </u>	<u>          </u>

8 Taxation on profit on ordinary activities

	2005	2004
	£'000	£'000
<i>Current tax</i>		
UK corporation tax on profits of the year	-	13
Adjustment in respect of previous periods	-	28
	<u>          </u>	<u>          </u>
Total current tax	-	41
<i>Deferred tax</i>		
Origination and reversal of timing differences	184	(96)
	<u>          </u>	<u>          </u>
Taxation on profit on ordinary activities	<u>          </u>	<u>          </u>
	184	(55)
	<u>          </u>	<u>          </u>

**READING TRANSPORT LIMITED**

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

**8 Taxation on profit on ordinary activities** (*Continued*)

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

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	755	312
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2004 - 19%)	143	59
Effect of:		
Expenses not deductible for tax purposes	5	8
Capital allowances in excess of depreciation	(210)	-
Depreciation in excess of capital allowances	-	90
Utilisation of tax losses and other deductions	-	(154)
Tax losses arising in the year	60	-
Movement in short-term timing differences	2	10
Adjustment to tax charge in respect of previous periods	-	28
Current tax charge for year	-	41

*Factors that may affect the future tax charge*

The company has tax losses of approximately £314,000 to carry forward for offset against future taxable profits of the same trade.

**9 Dividends**

	2005 £'000	2004 £'000
Ordinary - paid 8.2p (2003 – 6.3 p) per share	325	250



## READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

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10 Intangible assets	Purchased goodwill £'000
<i>Cost</i>	
At 1 October 2004 and at 30 September 2005	436
<i>Amortisation</i>	
At 1 October 2004	124
Provision for the year	23
At 30 September 2005	147
<i>Net book value</i>	
At 30 September 2005	289
At 1 October 2004	312

During the period ended 31 March 1999 the trade and net assets of The Greater Reading Omnibus Company Limited 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.

**READING TRANSPORT LIMITED**

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

**11 Tangible assets**

	Long Freehold land & buildings £'000	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 2004	435	5,431	15,137	3,187	10	24,200
Additions	-	-	5,582	162	8	5,752
Disposals	-	-	(2,743)	(2)	-	(2,745)
Transfers	-	-	-	-	-	-
At 30 September 2005	<b>435</b>	<b>5,431</b>	<b>17,976</b>	<b>3,347</b>	<b>18</b>	<b>27,207</b>
<i>Depreciation</i>						
At 1 October 2004	100	583	10,723	2,322	-	13,728
Provided for the year	8	93	803	268	-	1,172
Disposals	-	-	(2,246)	(2)	-	(2,248)
At 30 September 2005	<b>108</b>	<b>676</b>	<b>9,280</b>	<b>2,588</b>	<b>-</b>	<b>12,652</b>
<i>Net book value</i>						
At 30 September 2005	<b>327</b>	<b>4,755</b>	<b>8,696</b>	<b>759</b>	<b>18</b>	<b>14,555</b>
At 30 September 2004	335	4,848	4,414	865	10	10,472

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 £3,482,339 (2004 - £1,547,135) in respect of assets held under finance leases. The related depreciation charge for the year was £434,535 (2004 - £261,655).

## READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

### 12 Fixed asset investments

	Group undertakings £'000
<i>Cost</i>	
At 1 October 2004 and 30 September 2005	208
<i>Provision for diminution in value</i>	
At 1 October 2004 and 30 September 2005	112
<i>Net book value</i>	
At 30 September 2004 and at 30 September 2005	96

On 1 June 1998 the company acquired 100% of the ordinary and preference share capital of The Greater Reading Omnibus Company Limited. The company is registered in Great Britain and was dormant throughout the year.

The Greater Reading Omnibus Company Limited has a 100% owned dormant subsidiary, Reading Mainline Limited.

On 31 January 1992 the company acquired the whole of the issued share capital of the following dormant companies from its shareholder for no consideration:

- Reading Rovers Limited
- Reading Minibuses Limited
- Reading Buses Limited
- Newbury Buses Limited
- Reading Transport Pension Trustees Limited

All of these companies are registered in Great Britain.

At 30 September 2005 these companies had combined net assets of £95,974

### 13 Stocks

	2005 £'000	2004 £'000
Spare parts and consumables	250	245

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 2005 (*Continued*)**14 Debtors**

	2005 £'000	2004 £'000
Trade debtors	626	707
Amounts due from parent undertaking	-	454
Other debtors	843	578
Corporation tax	-	3
Prepayments and accrued income	268	453
	<u>1,737</u>	<u>2,195</u>

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

**15 Creditors: amounts falling due within one year**

	2005 £'000	2004 £'000
Trade creditors	488	458
Amounts owed to parent undertaking	2,306	-
Amounts owed to subsidiary undertakings	96	96
Other creditors	434	345
Taxation and social security	342	306
Obligations under finance leases	783	551
Accruals	931	912
	<u>5,380</u>	<u>2,668</u>

**READING TRANSPORT LIMITED**

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

**16 Creditors: amounts falling due after more than one year**

	2005 £'000	2004 £'000
Obligations under finance leases	2,863	1,507
Accruals and deferred income	2	5
	<u>2,865</u>	<u>1,512</u>
Obligations under finance leases are due as follows:		
In one year or less	783	551
In more than one year but not more than two years	623	569
In more than two years but not more than five years	1,150	876
In more than five years	1,090	62
	<u>3,646</u>	<u>2,058</u>

The total value of finance leases repayable by instalments, any part of which falls due after more than five years, is £2,605,462 (2004 - £546,584). 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	Pensions £'000	Uninsured claims £'000	Total £'000
At 1 October 2004	120	406	569	1,095
Profit and loss account	184	-	283	467
Utilised	-	-	(163)	(163)
	<u>304</u>	<u>406</u>	<u>689</u>	<u>1,399</u>
At 30 September 2005	<u>304</u>	<u>406</u>	<u>689</u>	<u>1,399</u>

The pensions provision relates to an estimate of the increased liability of additional benefits provided for certain past employees. 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.

**READING TRANSPORT LIMITED**

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

**18 Deferred taxation**

	2005 Provided in accounts £'000	2004 Provided in accounts £'000
Accelerated capital allowances	409	196
Other	(80)	(76)
	<hr/>	<hr/>
	329	120
Unutilised tax losses	25	-
	<hr/>	<hr/>
	304	120
	<hr/>	<hr/>

**19 Share capital**

	Authorised		Allotted, called up and fully paid	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Ordinary shares of £1 each	3,974	3,974	3,974	3,974
	<hr/>	<hr/>	<hr/>	<hr/>

**20 Reserves**

	Profit and loss account £'000
At 1 October 2004	5,902
Retained profit for the year	246
	<hr/>
At 30 September 2005	6,148
	<hr/>

**READING TRANSPORT LIMITED**Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)**21 Reconciliation of movement in shareholder's funds**

	2005 £'000	2004 £'000
Profit for the year	571	367
Dividends	(325)	(250)
	<hr/>	<hr/>
Opening shareholder's funds	246 9,876	117 9,759
	<hr/>	<hr/>
Closing shareholder's funds	10,122	9,876
	<hr/>	<hr/>

**22 Capital commitments**

	2005 £'000	2004 £'000
Contracted but not provided for	2,460	3,817
	<hr/>	<hr/>

**23 Commitments under operating leases**

As at 30 September 2005, the company had annual commitments under non-cancellable operating leases, none of which relate to land and buildings, as set out below:

	2005 £'000	2004 £'000
Operating leases which expire:		
Within one year	63	41
Within two to five years	160	234
	<hr/>	<hr/>
	223	275
	<hr/>	<hr/>

## READING TRANSPORT LIMITED

### Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

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#### 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 pension cost relating to this scheme is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent valuation, at 1 July 2005 indicated that, on the basis of service to date and current salaries, the scheme's assets were sufficient to meet 55% only of its liabilities. It was assumed that the investment return would be 5.25% per annum pre retirement and 4.75% per annum post retirement, that salary increases would average 3.7% per annum, and that pensions would increase at the rate of 3% per annum for those awarded pre 6 April 1997 and 3% per annum for all other present and future pensions.

At 30 September 2005 the scheme which is contracted out of the state scheme, had assets of approximately £11.4m at market value. Of the total cost disclosed in note 4, a debit of £Nil (2004 - £186,000) is attributable to an increase in the liability of additional benefits provided for certain past service employees.

Contributions to the scheme by employees have been increased to 7.0% of Pensionable Salary with effect from 1 January 2005. Company contributions have been increased to 10.8% of Pensionable Salary from the same date. The total cost of the defined benefit scheme was £695,094.

##### (b) *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 pension cost relating to this fund is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent valuation of the Royal County of Berkshire 'Pension' Fund for which the results are known was carried out as at 31 March 2004. The assumptions used by the actuary were that the investment returns would be 4.9% - 6.7% per annum, that salary increases would average 4.4% per annum and that pensions would increase at the rate of 2.9% per annum.

At 30 September 2005 the fund had total assets of approximately £1,224m at market value, of which £20.3m were attributable to Reading Transport Limited members.

Contributions to the fund by employees have been maintained in accordance with the recommendations of the actuaries in their previous valuation. The company is committed to pay 8.2% of total salaries for the next year. The total cost of the defined benefit scheme was £96,415.



**READING TRANSPORT LIMITED**

**Notes forming part of the financial statements for the year ended 30 September 2005 (Continued)**

**24 Pension and similar obligations (Continued)**

*Financial Reporting Standard 17 'Retirement benefits' (FRS 17)*

The company is required to comply fully with FRS 17 in its financial statements for the year ended 30 September 2006. The impact on the financial statements of FRS 17 could be significant as it would require the company to include the current combined deficit in the two defined benefit schemes of £9,770,000 as a separate liability on its balance sheet. As stated in note 1 the company has taken advantage of the transitional arrangements allowed under FRS 17, which requires the following disclosures to be made in these financial statements in preparation for this change in accounting policy.

The full actuarial valuations of the defined benefit schemes, as detailed above, have been updated to 30 September 2005 by qualified independent actuaries on a FRS 17 basis. The major assumptions used by the actuaries were:

	2005	2004	2003
Rate of increase in salaries	3.9%	4.0%	2.6%
Rate of increase for pensions in payment - pre 6 April 1997	3.0%	3.0%	3.0%
- post 5 April 1997	2.9% to 3.0%	3.0%	2.6%
Discount rate	5.0%	5.5%	5.3%
Inflation assumption	2.9%	3.0%	2.6%

The assets in the schemes and the expected long term rate of return at 30 September 2005 were:

	2005 %	2005 £'000	2004 %	2004 £'000	2003 %	2003 £'000
Equities	6.6 to 7.3	20,614	7.1	17,493	7.0	15,713
Bonds	4.3 to 5.0	6,559	5.1	4,658	5.0	3,879
Other- Property	5.5 to 5.6	2,921	6.1	1,877	6.0	1,804
- Cash	4.5	1,535	4.8	2,014	3.5	1,857
Total market value of assets		<u>31,629</u>		<u>26,042</u>		<u>23,253</u>
Present value of schemes liabilities		<u>(43,691)</u>		<u>(38,350)</u>		<u>(33,908)</u>
Deficit in the schemes		(12,062)		(12,308)		(10,655)
Related deferred tax asset		2,292		3,692		3,197
Net pension liability on a FRS 17 basis		<u>(9,770)</u>		<u>(8,616)</u>		<u>(7,458)</u>

**READING TRANSPORT LIMITED**

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

**24 Pension and similar obligations** (*Continued*)

The effect on the profit and loss reserves if the pension schemes deficits were incorporated into the financial statements is as follows:

	2005 £'000	2004 £'000	2003 £'000
Net assets excluding pension deficits	10,259	9,876	9,759
Pension deficits - Reading Transport Staff Retirement Scheme	(7,313)	(5,210)	(4,572)
- Local Government Superannuation Fund	(2,457)	(3,406)	(2,886)
	<hr/>	<hr/>	<hr/>
Net assets including pension deficits	489	1,260	2,301
	<hr/>	<hr/>	<hr/>
Profit and loss reserve excluding pension deficits	6,285	5,902	5,785
Pension deficits - Reading Transport Staff Retirement Scheme	(7,313)	(5,210)	(4,572)
- Local Government Superannuation Fund	(2,457)	(3,406)	(2,886)
	<hr/>	<hr/>	<hr/>
Profit and loss reserve including pension deficits	(3,485)	(2,714)	(1,673)
	<hr/>	<hr/>	<hr/>

	2005 £'000	2004 £'000
<i>Analysis of the amount that would have been charged to operating profit</i>		
Current service cost	866	886
Past service cost	-	-
	<hr/>	<hr/>
Total operating charge	866	886
	<hr/>	<hr/>

	2005 £'000	2004 £'000
<i>Analysis of the amount that would have been credited to other finance income</i>		
Expected return on pension scheme assets	1,691	1,474
Interest on pension scheme liabilities	(2,111)	(1,806)
	<hr/>	<hr/>
Net return	(420)	(332)
	<hr/>	<hr/>

**READING TRANSPORT LIMITED**

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

**24 Pension and similar obligations (*Continued*)**

	2005 £'000	2004 £'000	2003 £'000
<i>Analysis of the amount that would have been recognised in the statement of total recognised gains and losses (STRGL)</i>			
Actual return less expected return on pension schemes assets	3,709	1,222	(4,761)
Changes in assumptions underlying the present value of the schemes liabilities	(4,206)	(627)	(2,248)
Experience losses arising on the schemes liabilities	1,269	1,782	(952)
	<hr/>	<hr/>	<hr/>
Actuarial gain/(loss) recognised in STRGL	772	(1,187)	(7,964)
	<hr/>	<hr/>	<hr/>
		2005 £'000	2004 £'000
<i>Movement in combined deficit during the year</i>			
Combined deficit in schemes at beginning of the year		(12,308)	(10,655)
Movement in year:			
Current service cost		(866)	(886)
Past service cost		-	-
Contributions		760	752
Net return		(420)	(332)
Actuarial gain/(loss)		772	(1,187)
		<hr/>	<hr/>
Combined deficit in schemes at end of the year		(12,062)	(12,308)
		<hr/>	<hr/>
		2005 £'000	2004 £'000
<i>History of experience gains and losses</i>			
Difference between the expected and actual return on both schemes assets:			
- amount		1,855	611
- percentage of both schemes assets		11.7%	4.7%
Experience losses on both schemes liabilities			
- amount		635	(891)
- percentage of the present value of both schemes liabilities		2.9%	-4.6%
Total amount recognised in statement of total recognised gains and losses:			
- amount		386	(594)
- percentage of the present value of both schemes liabilities		1.8%	-3.1%

## READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 30 September 2005 (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 £3,220,415 (2004 - £3,080,586) as its share of a concessionary fares scheme;
- the company paid £25,596 (2004 - £26,303) for marketing services and £31,000 (2004 - £35,000) for commission
- the company purchased 16 buses for a consideration of £2,167,990

At the year end, the company owed £2,305,652 to Reading Borough Council (2004 - was owed £453,904 by Reading Borough Council).

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

	2005 £'000	2004 £'000
Operating profit	690	357
Depreciation	1,172	1,001
Amortisation	23	24
Increase in stocks	(5)	(33)
Decrease in debtors	455	242
Increase/(decrease) in creditors	309	(1)
Increase in provisions	120	279
	<hr/>	<hr/>
Net cash inflow from operating activities	2,764	1,869

### 27 Reconciliation of net cash inflow to movement in net debt

	2005 £'000	2004 £'000
Increase in cash in the year	1,008	277
Cash outflow from debt and lease financing	782	537
	<hr/>	<hr/>
Change in net debt resulting from cash flows	1,790	814
New finance leases	(2,370)	(157)
	<hr/>	<hr/>
Movement in net debt in the year	(580)	657
Opening net debt	(227)	(884)
	<hr/>	<hr/>
Closing net debt	(807)	(227)

**READING TRANSPORT LIMITED**

Notes forming part of the financial statements for the year ended 30 September 2005 (*Continued*)

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**28 Analysis of changes in net debt**

	At 1 October 2004 £'000	Cash flow £'000	Other non-cash changes £'000	At 30 September 2005 £'000
Cash in hand and at bank	1,831	1,008	-	2,839
Finance leases	(2,058)	782	(2,370)	(3,646)
	<u>(227)</u>	<u>1,790</u>	<u>(2,370)</u>	<u>(807)</u>

**29 Major non-cash transactions**

During the year the company entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the lease of £2,370,000 (2004 - £157,000).