Reading Transport Limited

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Annual report
for the year ended 31 March 1997

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Directors' report for the year ended 31 March 1997

The directors present their report and the audited financial statements for the year ended 31 March 1997.

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 operation of the London Line express service between Reading and London;

(c) the sale of coach holidays and operation of an excursion programme;

(d) the provision of vehicles and drivers for private hire contracts.

Review of business and future developments

The profit and loss account for the year is set out on page 6.

Trading conditions in the company's mainstream business and the year end financial position were satisfactory, reflecting the Board's policy of continuous improvement and there is an expectation that the present level of activity will be sustained for the foreseeable future.

This trading period was heavily influenced by the effects of Reading Mainline, who continue to operate a competitive bus service in Reading. The company continued its downward pressure on costs to meet the effects of competition. New services, fares initiatives, and our policy of fleet renewal all contributed to maximising the company's competitive position.

The company strives to continue to be amongst the leaders in the bus industry. A number of major projects and schemes were either completed or started during the year. During 1996/97 the company -

- purchased 10 new Optare Lowrider Excels, winning widespread approval and increased customer patronage;
- won the Loddon Bridge Park and Ride contract that will start in June 1997;
- did not apply a fares increase in Reading throughout 1996/97;
- worked with Reading Borough Council to minimise the effects of pedestrianisation of the east side of Broad Street in May 1997;

- continued to work on our planned relocation to a new depot. The agreement with the developer of the Oracle Retail Development became unconditional in April 1997 and building work will begin in May 1997;
- continued to promote the NVQ programme with 167 Driving staff and 12 Engineering staff qualifying since the scheme began;
- changed to a higher quality diesel, achieving environmental and engineering benefits;
- achieved higher contributions from its private hire operations.

Dividends

No dividend was paid or proposed for the year ended 31 March 1997 (1996: £240,000).

Directors

The directors of the company at 31 March 1997, all of whom served throughout the year then ended, were:-

Mr A W Page	(Chair)
Mr C Thompson	(Managing Director)
Mr J Carney	(Financial Director and Company Secretary)
Mrs J E Orton	
Mr D Downes	
Mr I M Fenwick	
Mr R Hughes	
Mr P Shepherd	
Mr P Hingley	

The following directors served for part of the year:-

Mr J Cook	(Resigned 2 May 1996, re-appointed 17 June 1996)
Mr C Chandler	(Resigned 17 June 1996)
Ms L Winfield-Chislett	(Appointed 17 June 1996)

Directors' interests in shares of the company

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

Post balance sheet events

In April 1997 the company received an unconditional notice to proceed with a contract to build a new depot and relocate from its Mill Lane site. Details are given in note 12.

The Budget of 2 July 1997 removed the ability of pension funds to reclaim Advance Corporation Tax credits on dividends payable by UK companies. This change was introduced with immediate effect and will, all things being equal, reduce total return available to pension funds from UK equity holdings. In turn, this may cause the pension charge shown in note 29 of the financial statements to increase in future years.

Charitable and political contributions

Contributions made by the company during the year for charitable purposes amounted to £1,543 (1996: £4,188). 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.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

J. Carney 7/7/97

J Carney

Secretary

Report of the auditors to the members of Reading Transport Limited

We have audited the financial statements on pages 6 to 23.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1997 and of its profit, total recognised gains and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers Lybrand

9th July 1997

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Reading

Profit and loss account for the year ended 31 March 1997

	Notes	1997 £'000	1996 £'000
Turnover	2	14,525	14,866
Operating costs	3	14,390	14,041
Operating profit		135	825
Interest receivable and similar income		168	199
		303	1,024
Interest payable and similar charges	7	111	131
Profit on ordinary activities before taxation	8	192	893
Tax on profit on ordinary activities	9	130	376
Profit for the financial year		62	517
Dividends	10	-	240
Retained profit for the financial year	20	62	277

The above amounts all relate to continuing operations of the company.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year stated above, and their historical cost equivalents.

Statement of total recognised gains and losses

	Notes	1997 £'000	1996 £'000
Profit for the financial year		62	517
Unrealised surplus on revaluation of property	12	3,844	-
Total recognised gains and losses relating to the year		3,906	517

Balance sheet
at 31 March 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	12	**10,350**	6,284
Current assets			
Stocks	13	**215**	223
Debtors	14	**931**	1,051
Cash at bank and in hand		**2,526**	2,547
		3,672	3,821
Creditors: amounts falling due within one year	15	**1,942**	1,826
Net current assets		**1,730**	1,995
Total assets less current liabilities		**12,080**	8,279
Creditors: amounts falling due after more than one year	16	**990**	1,267
Provisions for liabilities and charges	17	**975**	803
		1,965	2,070
Net assets		**10,115**	6,209
Capital and reserves			
Called up share capital	19	**3,974**	3,974
Revaluation reserve	20	**3,844**	-
Profit and loss account	20	**2,297**	2,235
Equity shareholders' funds	21	**10,115**	6,209

The financial statements on pages 6 to 23 were approved by the board of directors on and were signed on its behalf by:

C Thompson 7/7/97
Director

Cash flow statement for the year ended 31 March 1997

	Notes	1997 £'000	1996 £'000
Net cash inflow from continuing operating activities	22	1,883	1,848
Returns on investments and servicing of finance			
Interest received		163	199
Interest paid		(100)	(128)
Interest paid on finance leases		-	(3)
Net cash inflow from returns on investments and servicing of finance		63	68
Taxation			
UK corporation tax paid		(215)	(156)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(747)	(1,399)
Sale of tangible fixed assets		85	127
Sale of assets under sale & leaseback		222	-
Net cash (outflow) from capital expenditure and financial investment		(440)	(1,272)
Equity dividends paid		-	(240)
Cash inflow before financing		1,291	248
Financing			
Repayment of principal under finance leases		(147)	(48)
Repayment of long term loan		(1,165)	-
(Decrease)/increase in cash in the year		(21)	200

Notes to the financial statements for the year ended 31 March 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Changes in presentation of financial information

FRS8 'Related party disclosures' requires the disclosure of details of material transactions between the reporting entity and any related parties. The new standard came into effect for all accounting periods commencing on or after 23 December 1995. Accordingly new disclosure requirements are dealt with in note 30.

FRS1 'Cash flow statements' has been revised in 1996 to change the format for reporting cash flows. The revised standard comes into effect for accounting periods ending on or after 23 March 1997. Accordingly the cash flow statement has been presented under the new format.

The disclosure requirements for directors emoluments and other benefits under schedule 6 of the Companies Act 1985 have been changed by SI 1997/570. Accordingly, disclosure of directors information and other benefits has been presented under the new format.

Basis of accounting

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets.

Tangible fixed assets

Freehold land and buildings are stated at cost except for the directors' valuation of the Mill Lane depot. The basis of the directors' valuation is explained in note 12.

Other 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.

Tangible fixed assets (continued)

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, 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:-

Freehold buildings	2.5% - 4% straight line
Plant and machinery	10 - 20% straight line
Buses	25% reducing balance
Other vehicles	9.5% - 33% straight line

No depreciation is charged on freehold land.

Unconsolidated subsidiaries

In accordance with Section 229(2) of the Companies Act 1985, consolidated accounts have not been prepared because the inclusion of the net assets of the company's dormant subsidiaries would not be material to the financial statements.

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 periods 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 period as adjusted for disallowable items. Provision is made for deferred tax, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Accident claims

The company maintains insurance cover against third party liability claims for the amount on each claim that exceeds £25,000 (1996: £25,000). Any claims below £25,000 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.

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 period during which the company benefits from the 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

All turnover is generated within the United Kingdom from bus operations.

3 Operating costs

	1997 £	1996 £
Raw materials and consumables	2,433	2,377
Other external charges	1,556	1,482
Staff costs (see note 5)	9,038	8,892
Depreciation	1,363	1,352
	14,390	14,103
Exceptional items (see note 6)	-	(62)
Operating costs	14,390	14,041

4 Directors' emoluments

The remuneration paid to the directors of Reading Transport Limited was:

	1997 £'000	1996 £'000
Aggregate emoluments	166	180

Retirement benefits are accruing to 4 directors under a defined benefit scheme.

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	1997 Number	1996 Number
By product group		
Traffic	387	378
Engineering	92	97
Administration	34	33
	513	508

	1997 £'000	1996 £'000
Staff costs (for the above persons)		
Wages and salaries	8,002	7,922
Social security costs	735	722
Other pension costs (see note 29)	301	248
	9,038	8,892

6 Exceptional operating costs

	1997 £'000	1996 £'000
Provision for dilapidation	-	60
Rates rebate	-	(122)
	-	(62)

7 Interest payable and similar charges

	1997 £'000	1996 £'000
On loan repaid within the year	100	128
On finance leases	11	3
	111	131

8 Profit on ordinary activities before taxation

	1997 £'000	1996 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	1,292	1,318
Tangible fixed assets held under finance leases	71	34
Auditors' remuneration for audit	20	18
Exceptional operating items (see note 6)	-	(62)
Operating leases - plant & machinery	25	25
- other	145	145
And after crediting:		
Net profit on disposal of tangible fixed assets	7	46

Remuneration of the company's auditors for the provision of non-audit services was £34,700. This includes taxation compliance and advisory fees of £31,875.

9 Taxation

The tax charge, based on the profit on ordinary activities for the year, comprises:

	1997 £'000	1996 £'000
United Kingdom corporation tax at 33% (1996: 33%)		
Current	152	296
Deferred	-	69
(Over)/under provision in respect of prior years:		
Current	(22)	(40)
Deferred	-	51
	130	376

The taxation charge for the year has been increased by £59,000 (1996: £58,000) in respect of the reduction in the excess of tax allowances over depreciation and other timing differences in the year on which, in accordance with the company's accounting policy, no deferred taxation has been provided.

10 Dividends

	1997 £'000	1996 £'000
Ordinary:		
No interim dividend paid (1996: 6.0p per share)	-	240

11 Fixed asset investments

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 Goldline Limited

All of these companies are registered in Great Britain.

At 31 March 1997 these companies had combined net assets of £500.

12 Tangible fixed assets

	Freehold land and buildings £'000	Buses and coaches £'000	Plant and machinery £'000	Capital work in progress £'000	Total £'000
Cost or valuation					
At 1 April 1996	1,779	10,430	1,591	-	13,800
Additions	-	1,067	82	515	1,664
Surplus on revaluation	3,844	-	-	-	3,844
Disposals	-	(210)	(9)	-	(219)
At 31 March 1997	**5,623**	**11,287**	**1,664**	**515**	**19,089**
Depreciation					
At 1 April 1996	293	6,201	1,022	-	7,516
Charge for year	38	1,135	190	-	1,363
Eliminated in respect of disposals	-	(133)	(7)	-	(140)
At 31 March 1997	**331**	**7,203**	**1,205**	-	**8,739**
Net book value At 31 March 1997	**5,292**	**4,084**	**459**	**515**	**10,350**
Net book value At 31 March 1996	1,486	4,229	569	-	6,284

The net book value of tangible fixed assets includes an amount of £1,067,600 (1996: £Nil) in respect of assets held under finance leases.

Included in plant and machinery is £203,000 in respect of ticket machines gifted to the company by Berkshire County Council in the year ended 31 March 1995. Related costs of installation and maintenance have been incurred and will be in future years. These assets have a net book value of £81,200 at the year end.

Valuation of Mill Lane depot

In the 1995/96 financial statements the directors' report indicated the likelihood that the company would relocate from its Mill Lane depot during 1997/98. In December 1996 the company signed a contract obliging it to build a new depot and relocate, contingent on the receipt of a notice from the developer of the Oracle retail development.

In view of the progress made by the developer, the directors anticipated receiving an unconditional notice to transfer the Mill Lane site. The directors have therefore revalued the Mill Lane site to the expected net proceeds of the transaction. The final net proceeds are to be determined by reference to the contract and the exact consideration will be calculated by reference to building indices that are yet to be published.

In April 1997 the company received an unconditional notice to proceed in accordance with this contract.

If land and buildings had not been revalued they would have been included at the following amounts:

	Land and buildings £'000
Cost	1,779
Aggregate depreciation based on cost	331
Net book valued based on cost	1,448

Depreciation has not been charged on freehold land, which is stated at its revalued amount of £4,688,545.

13 . Stocks

	1997 £'000	1996 £'000
Spare parts and consumables	**213**	215
Work in progress	**2**	8
	215	223

14 Debtors

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Trade debtors	311	295
Amounts owed by group undertakings	5	15
Other debtors	307	478
Prepayments and accrued income	308	263
	931	1,051

Other debtors at 31 March 1997 include a loan to a director, Mr J Carney, of £12,008 (1996: £653). The loan attracts interest at 4.6% p.a. and the maximum amount outstanding during the year was £14,600.

15 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Trade creditors	279	633
Obligations under finance leases	81	-
Corporation tax	152	235
Other taxation and social security	214	216
Other creditors	705	203
Accruals and deferred income	511	539
	1,942	1,826

16 Creditors: amounts falling due after more than one year

	1997 £'000	1996 £'000
Long term loan due to group undertakings (see note below)	-	1,165
Obligations under finance leases	911	-
Other creditors	41	81
Accruals and deferred income	38	21
	990	1,267

The long term loan, which was repayable in the year 2011 or earlier at the company's discretion and carried interest at 11% per annum, was repaid during the year.

Finance leases

The net finance lease obligations to which the company is committed are:

	1997 £'000	1996 £'000
In one year or less	81	-
Between one and two years	87	-
Between two and five years	297	-
Over five years	527	-
	992	-

The total value of leases repayable by instalments, any part of which falls due after more than 5 years, is £992,000 (1996: £Nil).

17 Provisions for liabilities and charges

	Pensions £'000	Dilapidations £'000	Reorganisation £'000	Uninsured claims £'000	Total £'000
At 1 April 1996	362	60	80	301	803
Profit and loss account	-	8	-	387	395
Utilised	(2)	-	(80)	(141)	(223)
At 31 March 1997	**360**	**68**	-	**547**	**975**

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

18 Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability are as follows:

	Amount provided		Amount unprovided	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	-	30	260	295
Other	-	(30)	(140)	(116)
	-	-	120	179

Roll-over relief will be available on the sale of the Mill Lane property (see note 12), which is stated at a valuation in the balance sheet, against the purchase of the new depot. In view of the company's policy of continued ownership of such assets, it would be necessary to replace them by purchasing similar property. The revalued amounts do not constitute timing differences as defined by SSAP15 and the potential amount of deferred tax if they were to be disposed of has therefore not been quantified.

19 Called up share capital

	1997 £'000	1996 £'000
Authorised		
3,974,000 ordinary shares of £1 each	3,974	3,974
Allotted, called up and fully paid:		
3,974,000 ordinary shares of £1 each	3,974	3,974

20 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 April 1996	-	2,235
Revaluation surplus on land and buildings	3,844	-
Retained profit for the year	-	62
At 31 March 1997	3,844	2,297

21 Reconciliation of movements in shareholders' funds

	1997 £'000	1996 £'000
Profit for the financial year	62	517
Dividends	-	(240)
	62	277
Other recognised gains and losses relating to the year	3,844	-
Net additions to shareholders' funds	3,906	277
Opening shareholders' funds	6,209	5,932
Closing shareholders' funds	10,115	6,209

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

	1997 £'000	1996 £'000
Continuing operating activities		
Operating profit	135	825
Depreciation on tangible fixed assets	1,363	1,352
Profit on sale of fixed assets	(7)	(46)
Decrease in stocks	8	31
(Increase)/decrease in trade debtors	(16)	48
Decrease/(Increase) in other debtors	168	(69)
Decrease/(Increase) in amounts owed by group undertakings	10	(5)
(Increase) in prepayments and accrued income	(45)	(34)
(Decrease) in trade creditors	(354)	(25)
Increase/(decrease) in other creditors	462	(50)
(Decrease) in other tax and social security creditors	(2)	(19)
Increase/(decrease) in provision for liabilities and charges	172	(65)
(Decrease) in accruals and deferred income	(11)	(95)
Net cash inflow from continuing operating activities	1,883	1,848

23 Reconciliation of net cash flow to movement in net funds

	1997 £'000	1996 £'000
(Decrease)/increase in cash in year	(21)	200
Cash outflow from decrease in debt	1,312	48
Change in net funds resulting from cash flows	1,291	248
New finance lease	(1,139)	-
Net funds at 1 April	1,382	1,134
Net funds at 31 March	1,534	1,382

24 Analysis of net funds

	At 1 April 1996 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 1997 £'000
Cash at bank and in hand	2,547	(21)	-	2,526
Long term loan	(1,165)	1,165	-	-
Finance leases	-	147	(1,139)	(992)
	1,382	1,291	(1,139)	1,534

25 Capital commitments

	1997 £'000	1996 £'000
Future capital expenditure		
Contracted but not provided for	577	-

26 Major non cash transactions

During the year the company entered into a finance lease arrangement in respect of fixed assets with a total capital value of the inception of the lease of £1,138,745.

27 Post balance sheet events

As detailed in the directors' report and note 12, in April 1997 the company was given an unconditional notice to relocate from its Mill Lane depot. Construction of a new depot began in May 1997 and completion at an estimated cost of £6,000,000 is expected towards the end of the next financial year.

The Budget of 2 July 1997 removed the ability of pension funds to reclaim Advance Corporation Tax credits on dividends payable by UK companies. This change was introduced with immediate effect and will, all things being equal, reduce total return available to pension funds from UK equity holdings. In turn, this may cause the pension charge shown in note 29 to increase in future years.

28 Financial commitments

At 31 March 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997		1996	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Expiring between two and five years inclusive	-	25	-	25
Expiring in over five years	145	-	145	-
	145	25	145	25

29 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

The latest independent actuarial valuation of the scheme was carried out as at 1 July 1994 using the "Projected Unit" method. The main actuarial assumptions used were:

Rate of return on investments	9.0% per annum
Salary inflation	8.0% per annum
Pension increases	3.0% per annum

At the date of the actuarial valuation the market value of the assets was £1,728,000. The actuarial value of these assets represented 101% of the value of benefits accrued to members up to the valuation date after allowing for future salary and pension increases.

(b) Local Government Superannuation Scheme

The latest independent actuarial valuation of the scheme was carried out as at 31 March 1995. For the purposes of determining the pension cost in respect of the company the Attained Age Method was used. The main actuarial assumptions used were:

Rate of return on investments	9.0% per annum
Salary inflation	6.5% per annum plus an allowance for promotion increases
Rate of pension increases	4.5% per annum
Rate of dividend growth	4.5% per annum

At the date of the actuarial valuation the market value of the assets held for all members of all the participating employers was £526 million. The actuarial value of the assets of the scheme was approximately 15% higher than the actuarial value of the benefits accrued after allowing for expected future salary and pension increases.

The pension charge for the year was £300,600 (1996: £248,200).

30 Controlling party and related party transactions

The company is wholly owned by Reading Borough Council, which is the company's ultimate controlling party.

During the course of the year the company has traded with its parent. The company has received income of £2,227,000 for the provision of bus services and £168,000 as interest receivable on funds loaned. In addition the company paid its parent £99,000 as interest on a long term loan, and £89,000 for marketing services. The long term loan disclosed in note 16 was repaid during the year.