

REGISTRAR'S COPY

COMPANY NUMBER: 2004963

Reading Transport Limited

Report and Financial Statements

Year Ended
31 March 1999



BDO

BDO Stoy Hayward
Chartered Accountants

READING TRANSPORT LIMITED

Annual report and financial statements for the year ended 31 March 1999

Contents

Directors

Page:

1	Report of the directors
4	Report of the auditors
5	Consolidated profit and loss account
6	Consolidated note of historical cost profits
7	Consolidated balance sheet
8	Balance sheet
9	Consolidated cash flow statement
10	Notes forming part of the financial statements

Directors

Mr A W Page	Mr I M Fenwick
Mr C Thompson	Mr R Hughes
Mr J Carney	Mr P Shepherd
Mrs J E Orton	Mr P Hingley
Mr D Downes	Ms L Winfield-Chislett

Secretary and registered office

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

Company number

2004963

Auditors

BDO Stoy Hayward, Bowman House, 2/10 Bridge Street, Reading, Berkshire RG1 2LU

READING TRANSPORT LIMITED

Report of the directors for the year ended 31 March 1999

The directors present their report together with the audited financial statements for the year ended 31 March 1999.

Results and dividends

The profit and loss account of the group is set out on page 4 and shows the result for the year.

The directors do not recommend the payment of a dividend

Principal activities

The main activities of the group 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

Trading conditions in the Company's main business of bus operations in Reading underwent substantial change during the trading year. In April 1998 the Company relocated from a depot in Mill Lane that was built to garage trams in the early twentieth century to a purpose built facility at the Great Knollys Street Depot. The Company has grasped the opportunity presented by the new building to modernise its operating methods. We have consolidated our second smaller depot from Kenavon Drive into the new depot and reduced costs as a result.

A second change to Reading Buses' operations was the acquisition of Reading Mainline by the Company. The contest for market share with Reading Mainline had resulted in a significant level of wasteful duplicated mileage being operated by both companies. During the period since acquisition a large proportion of this over supply has been removed from the combined and coordinated network. The public now has the benefit of inter-available season tickets and continuing low fares. The fares' increase applied in January 1999 was the first for fifteen months and only the second increase in the last three years. We intend to continue Reading Mainline's operations for the foreseeable future.

The Company strives to be recognised as one of the leaders in the bus industry and we are working with Reading Borough Council on a number of projects which when implemented will radically alter the public's perception of bus operations.

During 1998/99 the Company expanded using its Goldline Travel brand its private hire business to include a larger level of contracts for local employers providing transportation to Reading town centre. We are continuing to work with local employers to find the means to offer cost-effective travel to staff to reduce car dependency and overcome an acute land use contract in the expanding local economy.

READING TRANSPORT LIMITED

Report of the directors for the year ended 31 March 1999 (*Continued*)

Important Events since Year End

In May 1999 the Company won a three-year contract in Newbury to operate three super low floor midibuses on a staff contract for Vodafone. This news is particularly encouraging when coupled with the decision to dispose of our Newbury fleet of 25 year-old Leyland National buses and replace them by June 1999 with Optare Vectas.

Traffic congestion has too often delayed the Company's express coach service London Line. However, in June 1999 a bus lane eastbound on the M4 between junctions 3 and 2 was opened by John Prescott, Deputy Prime Minister, that has reduced journey time up to at least ten minutes.

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 £2,298 (1998 - £2,570). 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.

READING TRANSPORT LIMITED

Report of the directors for the year ended 31 March 1999 (*Continued*)

Year 2000

The company has formed a steering group with representatives from all divisions to identify potential problems related to the year 2000 and the Millennium celebration. The group reports via the Financial Director to the Board of Directors.

The company forecasts that it will spend £12,000 in 1999/2000 to make its software and hardware compliant.

European Monetary Union

The company does not envisage any accounting for currency issues arising from the EMU.

Directors

The directors of the company at 31 March 1999, all of whom, unless stated, 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
Ms L Winfield-Chislett
Mr J Cook (deceased - June 1998)
Mr A Tattersall (appointed 21 December 1998, resigned 18 May 1999)

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 period. 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

READING TRANSPORT LIMITED

Report of the directors for the year ended 31 March 1999 (*Continued*)

Directors' responsibilities (*continued*)

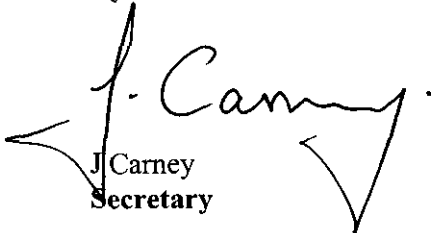
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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, who were appointed in succession to PricewaterhouseCoopers during the year, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board


J Carney
Secretary

Date: 12 - OCTOBER 1999

READING TRANSPORT LIMITED

Report of the auditors

To the shareholders of Reading Transport Limited

We have audited the financial statements on pages 6 to 25 which have been prepared under the accounting policies set out on pages 11 to 13.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the 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.

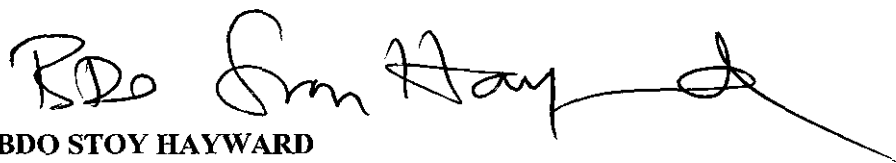
Basis of opinion

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 affairs of the company and the group at 31 March 1999 and of the result of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors
Reading*

Date: 12 October 1999

READING TRANSPORT LIMITED**Consolidated profit and loss account for the year ended 31 March 1999**

	Note	Continuing Operations		Total	Total
		1999	Acquisitions	1999	1998
		£'000	1999	£'000	£'000
			£'000		
Turnover	2	15,600	913	16,513	15,115
Operating costs		15,435	1,176	16,611	14,886
Operating (loss)/profit	6	165	(263)	(98)	229
Interest receivable and similar income				137	178
Interest payable and similar charges	7			(138)	(92)
(Loss)/profit on ordinary activities before taxation				(99)	315
Taxation on (loss)/profit from ordinary activities	8			1	15
(Loss)/profit on ordinary activities after taxation				(100)	300

All amounts relate to continuing activities

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

The notes on pages 11 to 25 form part of these financial statements

READING TRANSPORT LIMITED

Consolidated note of historical cost profits and losses for the year ended 31 March 1999

	1999 £'000	1998 £'000
Reported (loss)/profit on ordinary activities before taxation	(99)	315
Realisation of property revaluation gains of previous years	3,867	-
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	2	-
	<u>3,770</u>	<u>315</u>
Historical cost profit on ordinary activities before taxation	3,770	315
	<u>3,769</u>	<u>300</u>
Historical cost profit on ordinary activities after taxation	3,769	300

The notes on pages 11 to 25 form part of these financial statements

READING TRANSPORT LIMITED

Consolidated balance sheet at 31 March 1999

	Note	1999		1998	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		478		-
Tangible assets	11		11,569		15,987
			12,047		15,987
Current assets					
Stocks	13	240		184	
Debtors	14	1,372		1,355	
Cash at bank and in hand		1,713		2,061	
		3,325		3,600	
Creditors: amounts falling due within one year	15	1,975		6,904	
Net current assets/(liabilities)			1,350		(3,304)
Total assets less current liabilities			13,397		12,683
Creditors: amounts falling due after more than one year	16	2,169		1,247	
Provision for liabilities and charges	17	913		1,021	
			3,082		2,268
Net assets			10,315		10,415
Capital and reserves					
Called up share capital	19		3,974		3,974
Revaluation reserve	20		-		3,844
Profit and loss account	20		6,341		2,597
Equity shareholders' funds			10,315		10,415

The financial statements were approved by the Board on 12 October 1999.

C Thompson
Director

The notes on pages 11 to 25 form part of these financial statements

READING TRANSPORT LIMITED

Company balance sheet at 31 March 1999

	Note	1999		1998	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		436		-
Tangible assets	11		11,581		15,987
Investments	12		96		-
			<hr/>		<hr/>
			12,113		15,987
Current assets					
Stocks	13	245		184	
Debtors	14	1,372		1,355	
Cash at bank and in hand		1,713		2,061	
		<hr/>		<hr/>	
		3,330		3,600	
Creditors: amounts falling due within one year	15	2,071		6,904	
		<hr/>		<hr/>	
Net current assets/(liabilities)			1,259		(3,304)
			<hr/>		<hr/>
Total assets less current liabilities			13,372		12,683
Creditors: amounts falling due after more than one year	16	2,169		1,247	
Provision for liabilities and charges	17	913		1,021	
		<hr/>		<hr/>	
			3,082		2,268
			<hr/>		<hr/>
Net assets			10,290		10,415
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	19		3,974		3,974
Revaluation reserve	20		-		3,844
Profit and loss account	20		6,316		2,597
			<hr/>		<hr/>
Equity shareholders' funds			10,290		10,415
			<hr/>		<hr/>

The financial statements were approved by the Board on 12 October 1999

C Thompson
Director



The notes on pages 11 to 25 form part of these financial statements

READING TRANSPORT LIMITED

Consolidated cash flow statement for the year ended 31 March 1999

	Note	1999 £'000	1998 £'000
Net cash inflow from operating activities	27	(3,991)	6,310
Returns on investments and servicing of finance			
Interest received		137	178
Interest paid		(15)	-
Interest element of finance lease rental payments		(93)	(76)
		<u>29</u>	<u>102</u>
Taxation			
UK corporation tax		(55)	(162)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(728)	(6,612)
Sale of tangible fixed assets		4,972	114
		<u>4,244</u>	<u>(6,498)</u>
Acquisitions and disposals			
Purchase of subsidiary undertaking		(179)	-
Net overdrafts acquired with subsidiary		(138)	-
		<u>(317)</u>	<u>-</u>
Cash outflow before use of liquid resources and financing		(90)	(248)
Financing			
Repayment of loans		(40)	-
Capital element of finance lease rental payments		(218)	(217)
		<u>(258)</u>	<u>(217)</u>
Decrease in cash	28, 29	<u>(348)</u>	<u>(465)</u>

The notes on pages 11 to 25 form part of these financial statements

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of The Greater Reading Omnibus Company Limited as at 31 March 1999. The group uses the acquisition method of accounting to consolidate the results of the subsidiary undertaking from the date of acquisition.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking 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 period is set out in note 10.

Tangible fixed assets

Freehold land and buildings are stated at cost except for the directors' valuation of the Mill Lane depot, which was sold during the year.

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.

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:

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	-	25% reducing balance
Other vehicles	-	9½% - 33% straight line

No depreciation is charged on freehold land.

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 31 March 1999 (*Continued*)

1 Accounting policies (*continued*)

Finance and operating leases

Assets held under finance lease 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 £35,000 (1998 - £25,000). 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.

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.

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (*Continued*)

1 Accounting policies (*continued*)

Pensions (continued)

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 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	1999 £'000	1998 £'000
Raw materials and consumables	2,801	2,447
Other external charges	1,677	1,621
Staff costs (see note 4)	10,420	9,338
Depreciation	1,688	1,480
Amortisation	25	-
	<u>16,611</u>	<u>14,886</u>

4 Employees

Staff costs consist of:

Wages and salaries	9,287	8,269
Social security costs	768	744
Other pension costs	365	325
	<u>10,420</u>	<u>9,338</u>

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

	Number	Number
Traffic	450	390
Engineering	86	92
Administration	35	38
	<u>571</u>	<u>520</u>

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (Continued)

5 Directors	1999	1998
	£'000	£'000
Directors' emoluments consist of:		
Fees	195	177
	<hr/>	<hr/>
	Number	Number
Number of directors in defined benefit schemes	4	5
	<hr/>	<hr/>
6 Operating (loss)/profit	£'000	£'000
This has been arrived at after charging/(crediting):		
Depreciation	1,678	1,480
Amortisation	25	-
Hire of plant and machinery - operating leases	23	25
Other operating lease rentals	26	-
Auditors' remuneration - audit (Company : £18,000 - 1998 : £19,000)	21	19
- other services (Company : £5,000 - 1998 : £17,000)	5	17
Profit on sale of fixed assets	(46)	(75)
	<hr/>	<hr/>
7 Interest payable and similar charges		
Bank loans and overdrafts	15	-
Finance leases	123	92
	<hr/>	<hr/>
	138	92
	<hr/>	<hr/>
8 Taxation on (loss)/profit from ordinary activities		
UK corporation tax	-	5
Underprovision in respect of prior years	1	10
	<hr/>	<hr/>
	1	15
	<hr/>	<hr/>
9 Profit for the financial year		

The company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a loss after tax of £125,000 which is dealt with in the financial statements of the parent company.

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (*Continued*)

10 Intangible assets

	Group Goodwill on consolidation £'000	Company Purchased goodwill £'000
<i>Cost</i>		
Additions and at 31 March 1999	503	436
<i>Amortisation</i>		
Provision for the year and at 31 March 1999	25	-
<i>Net book value</i>		
At 31 March 1999	478	436

The goodwill on consolidation arose on the acquisition of The Greater Reading Omnibus Company Limited (see note 26) and is being amortised over the directors' estimate of its useful economic life of 20 years.

During the period the trade and net assets of The Greater Reading Omnibus Co 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 31 March 1999 (*Continued*)

11 Tangible assets

Group	Freehold & long leasehold land & buildings £'000	Buses and coaches £'000	Plant and machinery £'000	Capital work-in progress £'000	Total £'000
<i>Cost or valuation</i>					
At 1 April 1998	5,623	12,523	1,688	5,911	25,745
Subsidiary undertaking acquired	-	316	47	-	363
Additions	394	1,379	125	23	1,921
Transfer	4,947	(6)	970	(5,911)	-
Transfer to revaluation reserve	(3,844)	-	-	-	(3,844)
Disposals	(1,344)	(439)	(13)	-	(1,796)
At 31 March 1999	5,776	13,773	2,817	23	22,389
<i>Depreciation</i>					
At 1 April 1998	367	8,041	1,350	-	9,758
Subsidiary undertaking acquired	-	46	35	-	81
Provided for the year	95	1,319	274	-	1,688
Disposals	(333)	(361)	(13)	-	(707)
At 31 March 1999	129	9,045	1,646	-	10,820
<i>Net book value</i>					
At 31 March 1999	5,647	4,728	1,171	23	11,569
At 31 March 1998	5,256	4,482	338	5,911	15,987

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (*Continued*)

11 Tangible assets (*continued*)

Company	Freehold & long leasehold land & buildings £'000	Buses and coaches £'000	Plant and machinery £'000	Capital work-in progress £'000	Total £'000
<i>Cost or valuation</i>					
At 1 April 1998	5,623	12,523	1,688	5,911	25,745
Additions	394	1,378	125	23	1,920
Transfer from subsidiary company	-	204	5	-	209
Transfer	4,947	(6)	970	(5,911)	-
Transfer to revaluation reserve	(3,844)	-	-	-	(3,844)
Disposals	(1,344)	(394)	(13)	-	(1,751)
At 31 March 1999	5,776	13,705	2,775	23	22,279
<i>Depreciation</i>					
At 1 April 1998	367	8,041	1,350	-	9,758
Provided for the year	95	1,275	267	-	1,637
Disposals	(333)	(351)	(13)	-	(697)
At 31 March 1999	129	8,965	1,604	-	10,698
<i>Net book value</i>					
At 31 March 1999	5,647	4,740	1,171	23	11,581
At 31 March 1998	5,256	4,482	338	5,911	15,987

Included within freehold and long leasehold land and buildings, of the company and group, are freehold buildings at a net book value of £382,658 (1998 - £400,074).

	1999 £'000	1998 £'000
Freehold and long leasehold land and buildings are stated at:		
Cost	5,776	473
Open market value	-	5,150
	5,776	5,623

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (*Continued*)

11 Tangible assets (<i>continued</i>)	1999 £'000	1998 £'000
The historical cost net book value of land and buildings is:		
Cost	5,776	1,779
Accumulated depreciation based on historical cost	129	368
	<hr/>	<hr/>
Historical cost net book value	5,647	1,411
	<hr/>	<hr/>

The net book value of buses and coaches includes an amount of £2,080,242 (1998 - £1,229,600) in respect of assets held under finance leases. The related depreciation charge for the period was £424,156 (1998 - £397,000).

12 Fixed asset investments	Group undertaking £'000
Company	
Additions at cost	208
Provision for diminution in value	(112)
	<hr/>
At 31 March 1999	96
	<hr/>

During the year Reading Transport Limited acquired 100% of the ordinary and preference share capital of The Greater Reading Omnibus Company Limited. The company is registered in England and Wales and its principal activity is the provision of local bus services within the Reading area.

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

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

All of these companies are registered in Great Britain.

These dormant companies have not been included within the consolidated accounts because their net assets would not be material to the financial statements. At 31 March 1999 these companies had combined net assets of £500.

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (Continued)

13 Stocks	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Spare parts and consumables	240	183	245	183
Work-in-progress	-	1	-	1
	<u>240</u>	<u>184</u>	<u>245</u>	<u>184</u>

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

14 Debtors	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Trade debtors	287	337	287	337
Amounts owed from group undertakings	53	-	53	-
Other debtors	530	762	530	762
Prepayments and accrued income	502	256	502	256
	<u>1,372</u>	<u>1,355</u>	<u>1,372</u>	<u>1,355</u>

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

Other debtors include loans to two directors:

Mr J Carney £6,768 (1998 - £9,388), the loan attracting interest at 4.6% per annum with the maximum amount outstanding during the year of £9,388 (1998 - £12,008).

Mr C Thompson £1,233 (1998 - £3,699) attracting interest at 4.8% per annum with the maximum amount outstanding during the year of £3,699 (1998 - £4,932).

15 Creditors: amounts falling due within one year	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Group and company				
Trade creditors	352	333	352	333
Amounts owed to group undertakings	-	2	96	2
Taxation and social security	393	217	393	217
Corporation tax	(49)	5	(49)	5
Obligations under finance leases	238	127	238	127
Accruals	533	600	533	600
Other creditors	508	5,620	508	5,620
	<u>1,975</u>	<u>6,904</u>	<u>2,071</u>	<u>6,904</u>

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (Continued)

16 Creditors: amounts falling due after more than one year	1999 £'000	1998 £'000
Group and company		
Obligations under finance leases	2,138	1,207
Accruals and deferred income	31	40
	<u>2,169</u>	<u>1,247</u>

Obligations under finance leases are due as follows:

Within one to two years	238	144
Within two to five years	811	455
Over five years	1,089	608
	<u>2,138</u>	<u>1,207</u>

17 Provision for liabilities and charges	Pensions £'000	Uninsured claims £'000	Total £'000
Group and company			
At 1 April 1998	400	621	1,021
Profit and loss account	-	283	283
Utilised	-	(391)	(391)
	<u>400</u>	<u>513</u>	<u>913</u>
At 31 March 1999	400	513	913

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.

18 Deferred taxation	1999 Unprovided £'000	1999 Provided in accounts £'000	1998 Unprovided £'000	1998 Provided in accounts £'000
Group and company				
Accelerated capital allowances	300	-	328	-
Other	(145)	-	(118)	-
	<u>155</u>	<u>-</u>	<u>210</u>	<u>-</u>

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (Continued)

19 Share capital

	Authorised		Allotted, called up and fully paid	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Ordinary shares of £1 each	3,974	3,974	3,974	3,974

20 Reserves

Group	Revaluation reserve £'000	Profit and loss account £'000
At 1 April 1998	3,844	2,597
Loss for year	-	(100)
Transfer of realised revaluation surplus on disposal of property	(3,844)	3,844
At 31 March 1999	-	6,341
Company		
At 1 April 1998	3,844	2,597
Loss for year	-	(125)
Transfer of realised revaluation surplus on disposal of property	(3,844)	3,844
At 31 March 1999	-	6,316

The transfer of realised revaluation surplus on disposal of property relates to the sale of the Mill Lane property which was stated at a valuation in the balance sheet. Rollover relief will be available to set against the purchase of the new depot in Great Knollys Street.

21 Reconciliation of movement in shareholders' funds

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Retained (loss)/profit for the financial year and net addition to shareholders' funds	(100)	300	(125)	300
Opening shareholders' funds	10,415	10,115	10,415	10,115
Closing shareholders' funds	10,315	10,415	10,290	10,415

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (*Continued*)

22 Capital commitments	1999 £'000	1998 £'000
Future capital expenditure contracted but not provided for	875	124

23 Commitments under operating leases

As at 31 March 1999, the company had annual commitments under non-cancellable operating leases as set out below:

	1999		1998	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	8	-	-	-
Within two to five years	-	25	-	25
	<u>8</u>	<u>25</u>	<u>-</u>	<u>25</u>

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*

The latest independent actuarial valuation of the scheme was carried out as at 1 July 1997 using the "Projected Unit" method. The main actuarial assumptions used were:

Rate of return on investments (pre retirement)	8.5% per annum
Rate of return on investments (post retirement)	8.0% per annum
Salary inflation	6.0% per annum
Pension increases (pre 97 service)	3.0% per annum
Pension increases (post 97 service)	3.5% per annum

At the date of the actuarial valuation the market value of the assets was £3,266,904. 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.

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (*Continued*)

24 Pension and similar obligations (*continued*)

(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 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
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. Following discussion with the actuary, it is not anticipated that the 1997 budget changes to the recovery of tax credit on dividends received by the scheme will reduce the scheme surplus significantly.

The pension charge for the year was £365,244 (1998 - £325,256).

25 Related party transactions and controlling party

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 £1,891,000 (1998 - £2,024,000) as its share of a concessionary fares scheme and £32,000 as subsidy for the provision of bus services. The Greater Reading Omnibus Company Limited ("Reading Mainline") received income of £167,978 as its share of the same concessionary fares scheme. In addition, the company received £137,000 (1998 - £178,000) as interest receivable on funds loaned. The company paid its parent £104,000 (1997 - £68,304) for marketing services.

Construction costs related to the new depot rechargeable to Reading Borough Council amounted to £672,000. This amount was deducted from lease premiums paid to Reading Borough Council in 1997/98.

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (Continued)

26 Purchase of subsidiary undertakings

On 1 June 1998 the company acquired 100% of the ordinary and preference share capital of The Greater Reading Omnibus Company Limited for £164,032, being consideration paid of £135,000 plus the directors' best estimate of the deferred consideration payable of £29,032 and expenses of £44,525 paid in cash.

In calculating the goodwill arising on acquisition, the net book values of the assets and liabilities of The Greater Reading Omnibus Company Limited were considered by the directors of the company to equate to their fair values as follows:

	£'000
Net assets acquired	
Tangible fixed assets	282
Stock	27
Debtors	22
Cash at bank and in hand	-
Bank overdrafts	(138)
Creditors	(381)
Loans and finance leases	(107)
	<hr/>
	(295)
Goodwill	503
	<hr/>
Consideration	208
	<hr/>

27 Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	1999 £'000	1998 £'000
Operating (loss)/profit	(98)	229
Depreciation	1,688	1,480
Amortisation	25	-
Profit on sale of tangible fixed assets	(39)	(75)
(Decrease)/increase in stocks	(29)	31
Decrease/(increase) in debtors	3	(422)
(Decrease)/increase in creditors	(5,541)	5,067
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(3,991)	6,310
	<hr/>	<hr/>

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 1999 (Continued)

28 Reconciliation of net cash inflow to movement in net debt		1999 £'000	1998 £'000			
Decrease in cash in the year		(348)	(465)			
Cash (outflow)/inflow from increase in debt and lease financing		(258)	217			
Change in net debt resulting from cash flows		(90)	(248)			
New finance leases		(1,208)	(544)			
Loans and finance leases acquired with subsidiary		(107)	-			
Movement in net debt in the year		(1,405)	(792)			
Opening net debt		742	1,534			
Closing net debt		(663)	742			
29 Analysis of changes in net debt		At 1 April 1998 £'000	Cash flow £'000	Acquisitions (excluding cash and overdrafts) £'000	Other non-cash changes £'000	At 31 March 1999 £'000
Cash in hand and at bank		2,061	(348)			1,713
			(348)			
Debt due within one year		-	15	(15)	-	-
Debt due after one year		-	25	(25)	-	-
Finance leases		(1,319)	218	(67)	(1,208)	(2,376)
			258			
		742	(90)	(107)	(1,208)	(663)

30 Major non-cash transactions

During the year the group entered into a finance lease arrangement in respect of fixed assets with a total capital value at the inception of the lease of £1,192,947.