

REGISTRAR'S COPY

COMPANY

NUMBER: 2004963

Reading Transport Limited

Report and Financial Statements

**Year Ended
31 March 2001**



**BDO Stoy Hayward
Chartered Accountants**



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READING TRANSPORT LIMITED

Annual report and financial statements for the year ended 31 March 2001

Contents

Directors

Page:

| | |
|---|--|
| 1 | Report of the directors |
| 5 | Report of the auditors |
| 6 | Profit and loss account |
| 7 | Balance sheet |
| 8 | Cash flow statement |
| 9 | Notes forming part of the financial statements |

Directors

Mr A W Page
Mr C Thompson
Mr J Carney
Mrs J E Orton
Mr D Downes

Mr I M Fenwick
Mr P Shepherd
Mr P Hingley
Ms E Winfield-Chislett
Mr A Tattersall

Secretary and registered office

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

Company number

2004963

Auditors

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

READING TRANSPORT LIMITED

Report of the directors for the year ended 31 March 2001

The directors present their report together with the audited financial statements for the year ended 31 March 2001.

Results and dividends

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

The directors do not recommend the payment of a dividend

Principal activities

The main activities of the company remain:

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

Review of business and future developments

Trading conditions in the company's mainstream business and the year end financial position reflected difficulties caused by reduced margins that were the result of increased unit costs and customer resistance to fares' increases.

Unit costs rose steeply in 2000 mainly as a result of Reading increasing demand for labour in a local market where demand exceeded supply. In addition the renewal of contracts to supply fuel was only achieved with a substantial increase in its unit price.

The company reduced the size of its urban network by 6% in terms of registered mileage of bus services. This was done as a response to a period of service unreliability in the summer of 2000. In addition, the London Line express coach service was withdrawn in May 2000 to provide more staff for the Reading network.

The company invested in new vehicles for the Reading network to replace Routemaster buses no longer required.

Important events since year end

The company has introduced zonal fares into the Reading urban area in June 2001 with considerable success. Customer decline is no worse than previous years and the average fare has risen sufficiently to fund a significant pay award to staff. There is ongoing competition from local employers to recruit staff, which is causing retention difficulties.

In September 2001 the company was awarded a contract by Reading Borough Council to operate nine buses on a daytime service to south Reading business parks and a night network of services.

READING TRANSPORT LIMITED

Report of the directors for the year ended 31 March 2001 (*Continued*)

Difference between Market Value and Book Value of Land and Buildings

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

Charitable and political contributions

Contributions made by the company during the year for charitable purposes amounted to £1,837 (2000 - £749). 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.

European Monetary Union

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

READING TRANSPORT LIMITED

Report of the directors for the year ended 31 March 2001 (*Continued*)

Directors

The directors of the company at 31 March 2001, 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 (resigned 4 May 2000)
Mr P Shepherd
Mr P Hingley
Ms L Winfield-Chislett
Mr A Tattersall

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

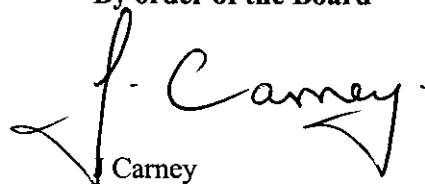
READING TRANSPORT LIMITED

Report of the directors for the year ended 31 March 2001 (*Continued*)

Auditors

BDO Stoy Hayward 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: 22 JANUARY 2002

READING TRANSPORT LIMITED

Report of the auditors

To the shareholders of Reading Transport Limited

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on pages 9 to 10.

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.

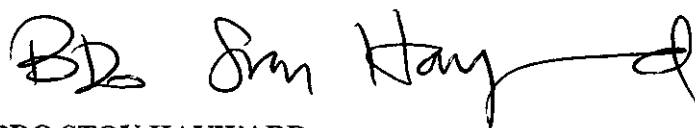
Basis of opinion

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 the company's affairs as at 31 March 2001 and of its result 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: 22 January 2002

READING TRANSPORT LIMITED

Profit and loss account for the year ended 31 March 2001

| | Note | 2001 £'000 | 2000 £'000 |
|--|------|---------------|---------------|
| Turnover | 2 | 18,073 | 17,735 |
| Operating costs | | 18,313 | 17,695 |
| | | <hr/> | <hr/> |
| Operating (loss)/ profit | 6 | (240) | 40 |
| Interest receivable and similar income | | 77 | 89 |
| Interest payable and similar charges | 7 | (187) | (170) |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before and after taxation | | (350) | (41) |
| | | <hr/> | <hr/> |

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 21 form part of these financial statements

READING TRANSPORT LIMITED

Balance sheet at 31 March 2001

| | Note | 2001 £'000 | 2000 £'000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Intangible assets | 8 | 391 | 414 |
| Tangible assets | 9 | 11,538 | 11,874 |
| Investments | 10 | 96 | 96 |
| | | <u>12,025</u> | <u>12,384</u> |
| Current assets | | | |
| Stocks | 11 | 245 | 253 |
| Debtors | 12 | 1,459 | 1,423 |
| Cash at bank and in hand | | 1,649 | 1,649 |
| | | <u>3,353</u> | <u>3,325</u> |
| Creditors: amounts falling due within one year | 13 | 1,984 | 2,133 |
| Net current assets | | <u>1,369</u> | <u>1,192</u> |
| Total assets less current liabilities | | <u>13,394</u> | <u>13,576</u> |
| Creditors: amounts falling due after more than one year | 14 | 2,712 | 2,392 |
| Provision for liabilities and charges | 15 | 783 | 935 |
| | | <u>3,495</u> | <u>3,327</u> |
| Net assets | | <u>9,899</u> | <u>10,249</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 3,974 | 3,974 |
| Profit and loss account | 18 | 5,925 | 6,275 |
| Equity shareholders' funds | | <u>9,899</u> | <u>10,249</u> |

The financial statements were approved by the Board on

22/1/2002

C Thompson
Director

The notes on pages 9 to 21 form part of these financial statements

READING TRANSPORT LIMITED

Cash flow statement for the year ended 31 March 2001

| | Note | 2001 £'000 | 2000 £'000 |
|---|--------|-------------------|-------------------|
| Net cash inflow from operating activities | 24 | 1,078 | 1,808 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 77 | 89 |
| Interest element of finance lease rental payments | | (187) | (170) |
| | | <u> </u> | <u> </u> |
| | | (110) | (81) |
| Taxation | | | |
| UK corporation tax | | 23 | (2) |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | (938) | (1,648) |
| Sale of tangible fixed assets | | 284 | 147 |
| | | <u> </u> | <u> </u> |
| | | (654) | (1,501) |
| Cash inflow before use of liquid resources and financing | | <u> </u> | <u> </u> |
| | | 337 | 224 |
| Financing | | | |
| Capital element of finance lease rental payments | | (337) | (288) |
| | | <u> </u> | <u> </u> |
| | | (337) | (288) |
| Increase/(decrease) in cash | 25, 26 | <u> </u> | <u> </u> |
| | | - | (64) |

The notes on pages 9 to 21 form part of these financial statements

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2001

1 Accounting policies

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

Group financial statements

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

Goodwill

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 year is set out in note 8.

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, 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.

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.

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

1 Accounting policies (*continued*)

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 loss for the year 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. 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.

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.

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

2 Turnover

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

3 Operating costs

| | 2001 £'000 | 2000 £'000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 2,345 | 2,307 |
| Other external charges | 2,761 | 2,713 |
| Staff costs (see note 4) | 11,335 | 10,889 |
| Depreciation | 1,849 | 1,764 |
| Amortisation | 23 | 22 |
| | <u>18,313</u> | <u>17,695</u> |

4 Employees

| | 2001 £'000 | 2000 £'000 |
|-------------------------|---------------|---------------|
| Staff costs consist of: | | |
| Wages and salaries | 10,128 | 9,716 |
| Social security costs | 786 | 739 |
| Other pension costs | 421 | 434 |
| | <u>11,335</u> | <u>10,889</u> |

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

| | 2001 Number | 2000 Number |
|----------------|----------------|----------------|
| Traffic | 421 | 455 |
| Engineering | 91 | 90 |
| Administration | 46 | 34 |
| | <u>558</u> | <u>579</u> |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

| | | | |
|----------|--|---------------|---------------|
| 5 | Directors | 2001 | 2000 |
| | | £'000 | £'000 |
| | Directors' emoluments consist of: | | |
| | Fees and remuneration for management services | 190 | 192 |
| | Emoluments of the highest paid director: | | |
| | Emoluments | 63 | 64 |
| | | | |
| | | Number | Number |
| | Number of directors in defined benefit schemes | 4 | 4 |
| 6 | Operating (loss)/profit | 2001 | 2000 |
| | | £'000 | £'000 |
| | This has been arrived at after charging/(crediting): | | |
| | Depreciation | 1,849 | 1,764 |
| | Amortisation | 23 | 22 |
| | Hire of plant and machinery - operating leases | 134 | 51 |
| | Other operating lease rentals | 1 | 3 |
| | Auditors' remuneration - audit | 19 | 18 |
| | - other services | 6 | 5 |
| | Loss/(profit) on sale of fixed assets | 2 | (107) |
| 7 | Interest payable and similar charges | 2001 | 2000 |
| | | £'000 | £'000 |
| | Finance leases | 187 | 170 |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

| 8 | Intangible assets | Purchased goodwill £'000 |
|---|--------------------------------------|-----------------------------|
| | <i>Cost</i> | |
| | At 1 April 2000 and at 31 March 2001 | 436 |
| | | <hr/> |
| | <i>Amortisation</i> | |
| | At 1 April 2000 | 22 |
| | Provision for the year | 23 |
| | | <hr/> |
| | At 31 March 2001 | 45 |
| | | <hr/> |
| | <i>Net book value</i> | |
| | At 31 March 2001 | 391 |
| | | <hr/> |
| | At 31 March 2000 | 414 |
| | | <hr/> |

During the year 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 31 March 2001 (*Continued*)

9 Tangible assets

| | Freehold land & buildings £'000 | Long leasehold land & buildings £'000 | Buses and coaches £'000 | Plant and machinery £'000 | Capital work-in progress £'000 | Total £'000 |
|-----------------------|--|---|-------------------------------|---------------------------------|---|----------------|
| <i>Cost</i> | | | | | | |
| At 1 April 2000 | 435 | 5,405 | 15,043 | 2,694 | 45 | 23,622 |
| Additions | - | 1 | 1,489 | 189 | 2 | 1,681 |
| Transfer | - | - | 29 | 13 | (42) | - |
| Disposals | - | - | (418) | (93) | - | (511) |
| At 31 March 2001 | 435 | 5,406 | 16,143 | 2,803 | 5 | 24,792 |
| <i>Depreciation</i> | | | | | | |
| At 1 April 2000 | 55 | 171 | 9,886 | 1,636 | - | 11,748 |
| Provided for the year | 9 | 88 | 1,536 | 216 | - | 1,849 |
| Disposals | - | - | (254) | (89) | - | (343) |
| At 31 March 2001 | 64 | 259 | 11,168 | 1,763 | - | 13,254 |
| <i>Net book value</i> | | | | | | |
| At 31 March 2001 | 371 | 5,147 | 4,975 | 1,040 | 5 | 11,538 |
| At 31 March 2000 | 380 | 5,234 | 5,157 | 1,058 | 45 | 11,874 |

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

The net book value of buses and coaches includes an amount of £2,023,000 (2000 - £1,931,000) in respect of assets held under finance leases. The related depreciation charge for the year was £617,000 (2000 - £633,000).

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

10 Fixed asset investments

Group
undertaking
£'000

Cost

At 1 April 2000 and 31 March 2001

208

Provision for diminution in value

At 1 April 2000 and 31 March 2001

112

Net book value

At 31 March 2000 and at 31 March 2001

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 Goldline Limited

All of these companies are registered in Great Britain.

At 31 March 2001 these companies had combined net assets of £96,474.

11 Stocks

2001
£'000

2000
£'000

Spare parts and consumables

245

253

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 31 March 2001(*Continued*)

12 Debtors

| | 2001 £'000 | 2000 £'000 |
|--------------------------------------|---------------|---------------|
| Trade debtors | 700 | 706 |
| Amounts owed from group undertakings | 1 | 67 |
| Other debtors | 257 | 292 |
| Corporation tax | 28 | 51 |
| Prepayments and accrued income | 473 | 307 |
| | <hr/> | <hr/> |
| | 1,459 | 1,423 |
| | <hr/> | <hr/> |

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

Other debtors include loans to two directors:

Mr J Carney £1,529 (2000 - £4,148), the loan attracting interest at 4.6% per annum with the maximum amount outstanding during the year of £4,148 (2000 - £6,768).

Mr P Shepherd £6,316 (2000 - £8,871), the loan attracting interest at 4.2% per annum with the maximum amount outstanding during the year of £8,871 (2000 - £11,000).

13 Creditors: amounts falling due within one year

| | 2001 £'000 | 2000 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 305 | 410 |
| Amounts owed to group undertakings | 96 | 96 |
| Other creditors | 476 | 586 |
| Taxation and social security | 314 | 288 |
| Obligations under finance leases | 367 | 285 |
| Accruals | 426 | 468 |
| | <hr/> | <hr/> |
| | 1,984 | 2,133 |
| | <hr/> | <hr/> |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

| 14 Creditors: amounts falling due after more than one year | 2001 £'000 | 2000 £'000 |
|--|---------------|---------------|
| Obligations under finance leases | 2,693 | 2,369 |
| Accruals and deferred income | 19 | 23 |
| | <u>2,712</u> | <u>2,392</u> |
| Obligations under finance leases are due as follows: | | |
| In one year or less | 367 | 285 |
| In more than one year but not more than two years | 390 | 303 |
| In more than two years but not more than five years | 1,315 | 1,027 |
| In more than five years | 988 | 1,039 |
| | <u>3,060</u> | <u>2,654</u> |

The total value of finance leases repayable by instalments, any part of which falls due after more than five years, is £2,619,000 (2000 - £2,646,000). The finance leases are repayable in instalments at rates of interest ranging between 5.124% and 8.906%.

| 15 Provision for liabilities and charges | Pensions £'000 | Uninsured claims £'000 | Total £'000 |
|--|-------------------|------------------------------|----------------|
| At 1 April 2000 | 328 | 607 | 935 |
| Profit and loss account | 20 | 341 | 361 |
| Utilised | (26) | (487) | (513) |
| | <u>322</u> | <u>461</u> | <u>783</u> |
| At 31 March 2001 | 322 | 461 | 783 |

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 31 March 2001 (*Continued*)

16 Deferred taxation

| | 2001 | | 2000 | |
|--------------------------------|---------------------|----------------------------------|---------------------|----------------------------------|
| | Unprovided £'000 | Provided in accounts £'000 | Unprovided £'000 | Provided in accounts £'000 |
| Accelerated capital allowances | 361 | - | 312 | - |
| Other | (107) | - | (103) | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 254 | - | 209 | - |
| Losses available | (254) | - | (209) | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

17 Share capital

| | Authorised | | Allotted, called up and fully paid | |
|----------------------------|---------------|---------------|---------------------------------------|---------------|
| | 2001 £'000 | 2000 £'000 | 2001 £'000 | 2000 £'000 |
| Ordinary shares of £1 each | 3,974 | 3,974 | 3,974 | 3,974 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

18 Reserves

Profit and loss account

| | |
|------------------|-------|
| At 1 April 2000 | 6,275 |
| Loss for year | (350) |
| | <hr/> |
| At 31 March 2001 | 5,925 |
| | <hr/> |

19 Reconciliation of movement in shareholder's funds

| | 2001 £'000 | 2000 £'000 |
|---|---------------|---------------|
| Loss for the financial year and net reduction to shareholder's funds | (350) | (41) |
| Opening shareholder's funds | 10,249 | 10,290 |
| | <hr/> | <hr/> |
| Closing shareholder's funds | 9,899 | 10,249 |
| | <hr/> | <hr/> |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

| 20 Capital commitments | 2001 £'000 | 2000 £'000 |
|--|---------------|---------------|
| Future capital expenditure contracted but not provided for | 529 | 1,261 |

21 Commitments under operating leases

As at 31 March 2001, the company had annual commitments under non-cancellable operating leases, none of which relate to land and buildings, as set out below:

| | 2001 £'000 | 2000 £'000 |
|--------------------------------|---------------|---------------|
| Operating leases which expire: | | |
| Within two to five years | 151 | 95 |

22 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) | 4.0% 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 2001 (*Continued*)

22 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 1998. For the purposes of the company the Project Unit Method was used. The main actuarial assumptions used were:

| | |
|-------------------------------|----------------|
| Rate of return on investments | 7.0% per annum |
| Salary inflation | 5.4% per annum |
| Rate of pension increases | 3.4% 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 £784 million. The actuarial value of the assets of the scheme was approximately 14% higher than the actuarial value of the benefits accrued after allowing for expected future salary and pension increases.

At 31 March 2001 contributions totalling £60,906 (2000 - £61,805) were payable to the funds and are included in creditors.

23 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 £1,950,000 (2000 - £2,108,000) as its share of a concessionary fares scheme. In addition, the company received £nil (2000 - £89,000) as interest receivable on funds loaned. The company paid its parent £57,000 (2000 - £73,000) for marketing services.

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

| | 2001 £'000 | 2000 £'000 |
|--|---------------|---------------|
| Operating (loss)/profit | (240) | 40 |
| Depreciation | 1,849 | 1,764 |
| Amortisation | 23 | 22 |
| Loss/(profit) on sale of tangible fixed assets | 2 | (107) |
| Decrease/(increase) in stocks | 8 | (10) |
| (Increase)/decrease in debtors | (179) | 120 |
| Decrease in creditors | (385) | (21) |
| Net cash inflow from operating activities | 1,078 | 1,808 |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

| | | | | | |
|-----------|---|--|--------------------------------|---|---|
| 25 | Reconciliation of net cash outflow to movement in net debt | | 2001 £'000 | 2000 £'000 | |
| | Decrease in cash in the year | | - | (64) | |
| | Cash outflow from decrease in debt and lease financing | | 337 | 288 | |
| | | | <hr/> | <hr/> | |
| | Change in net debt resulting from cash flows | | 337 | 224 | |
| | New finance leases | | (743) | (566) | |
| | | | <hr/> | <hr/> | |
| | Movement in net debt in the year | | (406) | (342) | |
| | Opening net debt | | (1,005) | (663) | |
| | | | <hr/> | <hr/> | |
| | Closing net debt | | (1,411) | (1,005) | |
| | | | <hr/> | <hr/> | |
| 26 | Analysis of changes in net debt | At 1 April 2000 £'000 | Cash flow £'000 | Other non-cash changes £'000 | At 31 March 2001 £'000 |
| | Cash in hand and at bank | 1,649 | - | - | 1,649 |
| | Finance leases | (2,654) | 337 | (743) | (3,060) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | (1,005) | 337 | (743) | (1,411) |
| | | | | | |

27 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 at the inception of the lease of £743,000 (2000 - £566,000).