

REGISTRAR'S COPY

COMPANY

NUMBER: 2004963

Reading Transport Limited

Report and Financial Statements

**Year Ended
31 March 2002**



BDO Stoy Hayward
Chartered Accountants

READING TRANSPORT LIMITED

Annual report and financial statements for the year ended 31 March 2002

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Directors

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Directors

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

Councillor P Hingley
Councillor A Jones
Councillor J E Orton
Councillor S Singleton-White
Councillor L Winfield-Chislett

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 2002

The directors present their report together with the audited financial statements for the year ended 31 March 2002.

Results and dividends

The profit and loss account of the company is set out on page 7 and shows the result for the year.

Dividends of £460,000 (2001 - £Nil) were paid to ordinary shareholders on 25 March 2002.

The directors do not recommend the payment of a final 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

The company traded more profitably in 2001/02 than the previous year by a significant margin.

The business has undergone a number of reorganisations and increased margins despite pressure on unit costs. It has been noticeable that the Goldline Travel division has continued to win contracts without reducing margins and has increased market share.

The Reading Buses network was affected by the following factors:

- (a) The successful introduction of a four zone fares' structure.
- (b) The introduction of the Borough Council's Daytrack and Nighttrack bus services.
- (c) Steeply increased wage costs that reflect local wage rates.
- (d) Reductions in the network's size to match the number of bus drivers available within the Reading labour market.

Goldline Travel has expanded by winning contracts and by growing its excursion programme. The largest contracts were the Reading to Gatwick night service for Thames Trains and Daytrack's South Reading service for Reading Borough Council.

Newbury Buses has continued to contribute to the company's profitability but suffered from cost pressures on wages. West Berkshire Authority (like many Local Authorities) have not increased annual subsidies at rates that are comparable to wage inflation and this has led to reduced margins.

READING TRANSPORT LIMITED

Report of the directors for the year ended 31 March 2002 (*Continued*)

Review of business and future developments (*continued*)

New ticket machines were installed on the Bus networks and smartcards will be introduced in 2002/03. There will also be a trial vault operation to speed up boarding and reduce journey times. Both innovations will continue the company's aim of simplifying bus travel.

In 2001/02 eleven double deck buses were acquired by Reading Buses. Five of the vehicles were super low floor spectra buses. These double deck vehicles have been used to ease capacity problems experienced at peak times.

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 £4,322 (2001 - £1,837). 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 2002 (*Continued*)

Directors

The directors of the company at 31 March 2002, all of whom, unless stated, served throughout the year then ended, were:

Councillor A W Page (Chair)
Mr C Thompson (Managing Director)
Mr J Carney (Financial Director and Company Secretary)
Mr P Shepherd (resigned 2 May 2002)
Mr S Simpson (appointed 4 July 2002)
Mr D Downes
Councillor I M Fenwick (resigned 5 April 2001)
Councillor R Green (appointed 3 May 2001)
Councillor P Hingley
Councillor A Jones (appointed 2 May 2002)
Councillor J E Orton
Councillor S Singleton-White (appointed 5 April 2001)
Councillor A Tattersall (resigned 2 May 2002)
Councillor L Winfield-Chislett

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.

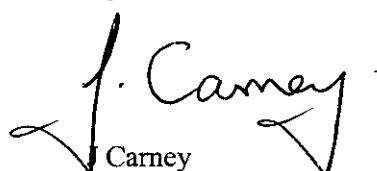
READING TRANSPORT LIMITED

Report of the directors for the year ended 31 March 2002 (*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: 21 JANUARY 2003.

READING TRANSPORT LIMITED

Report of the independent auditors

To the shareholders of Reading Transport Limited

We have audited the financial statements of Reading Transport Limited for the year ended 31 March 2002 on pages 7 to 25 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

This report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

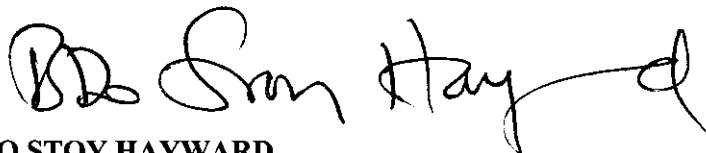
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

READING TRANSPORT LIMITED

Report of the independent auditors (*Continued*)

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward', with a long horizontal flourish extending to the right.

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
Reading

Date: 21 January 2003

READING TRANSPORT LIMITED

Profit and loss account for the year ended 31 March 2002

| | Note | 2002 £'000 | 2001 £'000 |
|--|------|---------------|---------------|
| Turnover | 2 | 19,345 | 18,073 |
| Operating costs | 3 | 18,852 | 18,313 |
| | | <hr/> | <hr/> |
| Operating profit/(loss) | 6 | 493 | (240) |
| Interest receivable and similar income | | 84 | 77 |
| Interest payable and similar charges | 7 | (169) | (187) |
| | | <hr/> | <hr/> |
| Profit/(loss) on ordinary activities before taxation | | 408 | (350) |
| Taxation on profit from ordinary activities | 8 | 16 | - |
| | | <hr/> | <hr/> |
| Profit/(loss) on ordinary activities after taxation | | 392 | (350) |
| Dividends paid | 9 | (460) | - |
| | | <hr/> | <hr/> |
| Retained loss for the year | | (68) | (350) |
| | | <hr/> | <hr/> |

All amounts relate to continuing activities

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

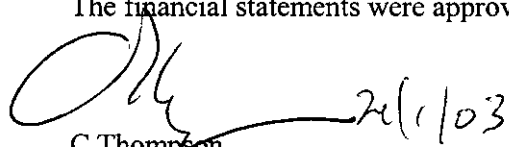
The notes on pages 10 to 25 form part of these financial statements

READING TRANSPORT LIMITED

Balance sheet at 31 March 2002

| | Note | 2002 £'000 | 2002 £'000 | 2001 £'000 | 2001 £'000 |
|--|------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Intangible assets | 10 | | 369 | | 391 |
| Tangible assets | 11 | | 11,134 | | 11,538 |
| Investments | 12 | | 96 | | 96 |
| | | | <hr/> | | <hr/> |
| | | | 11,599 | | 12,025 |
| Current assets | | | | | |
| Stocks | 13 | 262 | | 245 | |
| Debtors | 14 | 1,445 | | 1,459 | |
| Cash at bank and in hand | | 2,204 | | 1,649 | |
| | | <hr/> | | <hr/> | |
| | | 3,911 | | 3,353 | |
| Creditors: amounts falling due within one year | 15 | 2,412 | | 1,984 | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 1,499 | | 1,369 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 13,098 | | 13,394 |
| Creditors: amounts falling due after more than one year | 16 | 2,441 | | 2,712 | |
| Provision for liabilities and charges | 17 | 826 | | 783 | |
| | | <hr/> | | <hr/> | |
| | | | 3,267 | | 3,495 |
| | | | <hr/> | | <hr/> |
| Net assets | | | 9,831 | | 9,899 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 19 | | 3,974 | | 3,974 |
| Profit and loss account | 20 | | 5,857 | | 5,925 |
| | | | <hr/> | | <hr/> |
| Equity shareholders' funds | | | 9,831 | | 9,899 |
| | | | <hr/> | | <hr/> |

The financial statements were approved by the Board on


C Thompson
Director

The notes on pages 10 to 25 form part of these financial statements

READING TRANSPORT LIMITED

Cash flow statement for the year ended 31 March 2002

| | Note | 2002 £'000 | 2002 £'000 | 2001 £'000 | 2001 £'000 |
|---|-------|---------------|---------------|---------------|---------------|
| Net cash inflow from operating activities | 26 | | 2,309 | | 1,078 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 84 | | 77 | |
| Interest element of finance lease rental payments | | (169) | | (187) | |
| | | | (85) | | (110) |
| Equity Dividend paid | | | (460) | | - |
| Taxation | | | | | |
| UK corporation tax | | | - | | 23 |
| Capital expenditure and financial investment | | | | | |
| Purchase of tangible fixed assets | | (944) | | (938) | |
| Sale of tangible fixed assets | | 111 | | 284 | |
| | | | (833) | | (654) |
| Cash inflow before use of liquid resources and financing | | | 931 | | 337 |
| Financing | | | | | |
| Capital element of finance lease rental payments | | (376) | | (337) | |
| | | | (376) | | (337) |
| Increase in cash | 27,28 | | 555 | | - |

The notes on pages 10 to 25 form part of these financial statements

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002

1 Accounting policies

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

Group financial statements

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

Goodwill

Purchased goodwill is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is amortised through the profit and loss account over the directors' estimate of its useful economic life. The amortisation charge for the year is set out in note 10.

Tangible fixed assets

All tangible fixed assets are stated at cost, which is their purchase price together with any incidental expenses of acquisition. The purchase price of assets taken over at 20 October 1986 was established by a valuation in accordance with guidelines issued by the Department of Transport.

Depreciation is calculated so as to write off the cost of tangible fixed assets, except freehold land, less their estimated residual values, on a systematic basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | | |
|---------------------------------------|---|------------------------------|
| Long leasehold premium | - | over the period of the lease |
| Freehold and long leasehold buildings | - | 2% - 4% straight line |
| Plant and machinery | - | 10%-20% straight line |
| Buses | - | 25% reducing balance |
| Other vehicles | - | 9½% - 33% straight line |

Investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

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 2002 (*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 profit for the year as adjusted for disallowable items.

Deferred taxation

The company had adopted FRS 19 - Deferred Tax in the current year. No adjustments to prior periods have arisen as a result of the introduction of this accounting standard.

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

Accident claims

The company maintains insurance cover against third party liability claims for the amount on each claim that exceeds £35,000. Any claims below £35,000 or those disputed by the insurers are charged to the profit and loss account in the year in which they arise subject to an annual aggregated maximum charge.

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 2002 (*Continued*)

2 Turnover

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

3 Operating costs

| | 2002 £'000 | 2001 £'000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 2,411 | 2,345 |
| Other external charges | 2,979 | 2,761 |
| Staff costs (see note 4) | 11,848 | 11,335 |
| Depreciation | 1,592 | 1,849 |
| Amortisation | 22 | 23 |
| | <hr/> | <hr/> |
| | 18,852 | 18,313 |
| | <hr/> | <hr/> |

4 Employees

| | 2002 £'000 | 2001 £'000 |
|-------------------------|---------------|---------------|
| Staff costs consist of: | | |
| Wages and salaries | 10,552 | 10,128 |
| Social security costs | 807 | 786 |
| Other pension costs | 489 | 421 |
| | <hr/> | <hr/> |
| | 11,848 | 11,335 |
| | <hr/> | <hr/> |

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

| | 2002 Number | 2001 Number |
|----------------|----------------|----------------|
| Traffic | 399 | 421 |
| Engineering | 81 | 91 |
| Administration | 32 | 46 |
| | <hr/> | <hr/> |
| | 512 | 558 |
| | <hr/> | <hr/> |

Notes forming part of the financial statements for the year ended 31 March 2002 (Continued)

| | 2002 £'000 | 2001 £'000 |
|---|---------------|---------------|
| <i>Current tax</i> | | |
| UK corporation tax on profits of the year | 16 | - |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

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

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

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Profit/(loss) on ordinary activities before tax | 408 | (350) |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2001: 20%) | 82 | (70) |
| Effect of: | | |
| Expenses not deductible for tax purposes | 7 | 3 |
| Deferred taxation not provided for | (48) | 69 |
| Utilisation of tax losses | (22) | - |
| Other items | (3) | (2) |
| Current tax charge for period | 16 | - |

9 Dividends

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Ordinary – paid 11.6p (2001 – Nil) per share | 460 | - |

10 Intangible assets

| | Purchased goodwill £'000 |
|--------------------------------------|-----------------------------|
| <i>Cost</i> | |
| At 1 April 2001 and at 31 March 2002 | 436 |
| <i>Amortisation</i> | |
| At 1 April 2001 | 45 |
| Provision for the year | 22 |
| At 31 March 2002 | 67 |
| <i>Net book value</i> | |
| At 31 March 2002 | 369 |
| At 31 March 2001 | 391 |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

10 Intangible assets (*continued*)

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.

11 Tangible assets

| | Freehold land & buildings £'000 | Long leasehold land & buildings £'000 | Buses and coaches £'000 | Plant and machinery £'000 | Capital work-in progress £'000 | Total £'000 |
|-----------------------|--|---|-------------------------------|---------------------------------|---|----------------|
| <i>Cost</i> | | | | | | |
| At 1 April 2001 | 435 | 5,406 | 16,143 | 2,803 | 5 | 24,792 |
| Additions | - | 25 | 1,283 | 297 | 97 | 1,702 |
| Disposals | - | - | (1,375) | (291) | - | (1,666) |
| At 31 March 2002 | 435 | 5,431 | 16,051 | 2,809 | 102 | 24,828 |
| <i>Depreciation</i> | | | | | | |
| At 1 April 2001 | 64 | 259 | 11,168 | 1,763 | - | 13,254 |
| Provided for the year | 12 | 91 | 1,262 | 227 | - | 1,592 |
| Disposals | - | - | (866) | (286) | - | (1,152) |
| At 31 March 2002 | 76 | 350 | 11,564 | 1,704 | - | 13,694 |
| <i>Net book value</i> | | | | | | |
| At 31 March 2002 | 359 | 5,081 | 4,487 | 1,105 | 102 | 11,134 |
| At 31 March 2001 | 371 | 5,147 | 4,975 | 1,040 | 5 | 11,538 |

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 £1,824,710 (2001 - £2,023,000) in respect of assets held under finance leases. The related depreciation charge for the year was £509,000 (2001 - £617,000).

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

12 Fixed asset investments

| | Group undertakings £'000 |
|--|--------------------------------|
| <i>Cost</i> | |
| At 1 April 2001 and 31 March 2002 | 208 |
| <i>Provision for diminution in value</i> | |
| At 1 April 2001 and 31 March 2002 | 112 |
| <i>Net book value</i> | |
| At 31 March 2001 and at 31 March 2002 | 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 2002 these companies had combined net assets of £96,474.

13 Stocks

| | 2002 £'000 | 2001 £'000 |
|-----------------------------|---------------|---------------|
| Spare parts and consumables | 262 | 245 |

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

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002(*Continued*)

14 Debtors

| | 2002 £'000 | 2001 £'000 |
|-------------------------------------|---------------|---------------|
| Trade debtors | 493 | 700 |
| Amounts due from parent undertaking | 153 | 1 |
| Other debtors | 301 | 257 |
| Corporation tax | 28 | 28 |
| Prepayments and accrued income | 470 | 473 |
| | <hr/> | <hr/> |
| | 1,445 | 1,459 |
| | <hr/> | <hr/> |

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

Other debtors include loans to two directors:

Mr J Carney £Nil (2001 - £1,529), the loan attracting interest at 4.6% per annum with the maximum amount outstanding during the year of £1,529 (2001 - £4,148).

Mr P Shepherd £4,767 (2001 - £6,316), the loan attracting interest at 4.2% per annum with the maximum amount outstanding during the year of £6,316 (2001 - £8,871).

15 Creditors: amounts falling due within one year

| | 2002 £'000 | 2001 £'000 |
|---|---------------|---------------|
| Trade creditors | 433 | 305 |
| Amounts owed to subsidiary undertakings | 96 | 96 |
| Other creditors | 618 | 476 |
| Taxation and social security | 346 | 314 |
| Corporation tax | 16 | - |
| Obligations under finance leases | 432 | 367 |
| Accruals | 471 | 426 |
| | <hr/> | <hr/> |
| | 2,412 | 1,984 |
| | <hr/> | <hr/> |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

16 Creditors: amounts falling due after more than one year

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Obligations under finance leases | 2,425 | 2,693 |
| Accruals and deferred income | 16 | 19 |
| | <u>2,441</u> | <u>2,712</u> |
| Obligations under finance leases are due as follows: | | |
| In one year or less | 432 | 367 |
| In more than one year but not more than two years | 459 | 390 |
| In more than two years but not more than five years | 1,329 | 1,315 |
| In more than five years | 637 | 988 |
| | <u>2,857</u> | <u>3,060</u> |

The total value of finance leases repayable by instalments, any part of which falls due after more than five years, is £2,797,243 (2001 - £2,619,000). The finance leases are repayable in instalments at rates of interest ranging between 5.124% and 8.906%.

17 Provision for liabilities and charges

| | Pensions £'000 | Uninsured claims £'000 | Total £'000 |
|-------------------------|-------------------|------------------------------|----------------|
| At 1 April 2001 | 322 | 461 | 783 |
| Profit and loss account | 20 | 476 | 496 |
| Utilised | (26) | (427) | (453) |
| | <u>316</u> | <u>510</u> | <u>826</u> |
| At 31 March 2002 | 316 | 510 | 826 |

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 2002 (*Continued*)

18 Deferred taxation

| | 2002 Unprovided £'000 | 2002 Provided in accounts £'000 | 2001 Unprovided £'000 | 2001 Provided in accounts £'000 |
|--------------------------------|-----------------------------|--|-----------------------------|--|
| Accelerated capital allowances | 221 | - | 361 | - |
| Other | (72) | - | (107) | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Losses available | 149 (149) | - - | 254 (254) | - - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

19 Share capital

| | Authorised | | Allotted, called up and fully paid | |
|----------------------------|---------------|---------------|---------------------------------------|---------------|
| | 2002 £'000 | 2001 £'000 | 2002 £'000 | 2001 £'000 |
| Ordinary shares of £1 each | 3,974 | 3,974 | 3,974 | 3,974 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

20 Reserves

| | £'000 |
|--------------------------------|-------|
| Profit and loss account | |
| At 1 April 2001 | 5,925 |
| Retained loss for the year | (68) |
| | <hr/> |
| At 31 March 2002 | 5,857 |
| | <hr/> |

21 Reconciliation of movement in shareholder's funds

| | 2002 £'000 | 2001 £'000 |
|-----------------------------|---------------|-----------------|
| Profit/(loss) for the year | 392 | (350) |
| Dividends | (460) | - |
| | <hr/> | <hr/> |
| Opening shareholder's funds | (68) 9,899 | (350) 10,249 |
| | <hr/> | <hr/> |
| Closing shareholder's funds | 9,831 | 9,899 |
| | <hr/> | <hr/> |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

22 Capital commitments

| | 2002 £'000 | 2001 £'000 |
|---------------------------------|---------------|---------------|
| Contracted but not provided for | 528 | 529 |

23 Commitments under operating leases

As at 31 March 2002, the company had annual commitments under non-cancellable operating leases, none of which relate to land and buildings, as set out below:

| | 2002 £'000 | 2001 £'000 |
|--------------------------------|---------------|---------------|
| Operating leases which expire: | | |
| Within two to five years | 205 | 151 |

24 Pension and similar obligations

The company operates two defined benefit pension schemes funded both by employer's and employees' contributions with assets held in separate, trustee administered funds. These schemes are referred to in note 1.

(a) *Reading Transport Staff Retirement Scheme*

This scheme was established under an irrevocable Deed of Trust by Reading Transport Limited for its employees. The scheme is managed by a corporate trustee accountable to the pension scheme members.

The pension cost relating to this scheme is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent valuation, at 1 July 2000 indicated that, on the basis of service to date and current salaries, the scheme's assets were sufficient to meet 91% only of its liabilities. It was assumed that the investment return would be 8% per annum pre retirement and 7% per annum post retirement, that salary increases would average 6% per annum, and that pensions would increase at the rate of 3% per annum for those awarded pre 6 April 1997 and 3.5% per annum for all other present and future pensions.

At 31 March 2002 the scheme which is contracted out of the state scheme, had assets of approximately £6.4m at market value. Of the total cost disclosed in note 4, a debit of £20,000 (2001 - £20,000) is attributable to an increase in the liability of additional benefits provided for certain past service employees.

Contributions to the scheme by employees have been maintained in accordance with the recommendations of the actuaries in their previous valuation. The company is committed to pay 7.6% of total salaries for the next three years. The total cost of the defined benefit scheme was £412,692.

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

24 Pension and similar obligations (*continued*)

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

The company is required to comply fully with FRS 17 in its financial statements for the year ended 31 March 2004. The impact on the financial statements of FRS 17 could be significant as it would require the company to include the current deficit in the defined benefit scheme of £1,944,000 as a separate liability on its balance sheet. As stated in note 1 the company has taken advantage of the transitional arrangements allowed under FRS 17, which requires the following disclosures to be made in these financial statements in preparation for this change in accounting policy. Further disclosures will be made in the financial statements for the year ended 31 March 2003.

A full actuarial valuation of the defined benefit scheme was carried out at 1 July 2000 and updated to 31 March 2002 by a qualified independent actuary on a FRS 17 basis. The major assumptions at 31 March 2002 used by the actuary were:

| | | |
|--|---------------------|------|
| Rate of increase in salaries | | 3.8% |
| Rate of increase for pensions in payment | - pre 6 April 1997 | 3.0% |
| | - post 5 April 1997 | 2.8% |
| Discount rate | | 5.9% |
| Inflation assumption | | 2.8% |

The assets in the scheme and the expected rate of return at 31 March 2002 were:

| | Long-term rate of return expected at 31 March 2002 | Value at March 2002 £'000 |
|---|--|---------------------------------|
| Equities | 7.5% | 5,009 |
| Bonds | 5.5% | 799 |
| Other - Property | 6.5% | 96 |
| - Cash | 4.0% | 509 |
| | | <hr/> |
| Total market value of assets | | 6,413 |
| Present value of scheme liabilities | | (8,843) |
| | | <hr/> |
| Deficit in the scheme | | (2,430) |
| Related deferred tax asset | | 486 |
| | | <hr/> |
| Net pension liability on a FRS 17 basis | | (1,944) |
| | | <hr/> |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

24 Pension and similar obligations (*continued*)

(b) *Local Government Superannuation Fund*

This fund was established under an irrevocable Deed of Trust by Reading Transport Limited for its employees. The fund is managed by the Royal Borough of Windsor and Maidenhead who are accountable to the pension fund members.

The pension cost relating to this fund is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent valuation of the Royal County of Berkshire 'Pension' Fund was carried out as at 31 March 2001. The assumptions used by the actuary were that the investment return would be 6% per annum, that salary increases would average 4.8% per annum and that pensions would increase at the rate of 2.8% per annum.

At 31 March 2002 the fund had total assets of approximately £970.5m at market value, of which £19.9m were attributable to Reading Transport Limited members.

Contributions to the fund by employees have been maintained in accordance with the recommendations of the actuaries in their previous valuation. The company is committed to pay 4.2% of total salaries for the next three years. The total cost of the defined benefit scheme was £76,801.

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

The company is required to comply fully with FRS 17 in its financial statements for the year ended 31 March 2004. The impact on the financial statements of FRS 17 could be significant as it would require the company to include the current deficit in the defined benefit scheme of £186,000 as a separate liability on its balance sheet. As stated in note 1 the company has taken advantage of the transitional arrangements allowed under FRS 17, which requires the following disclosures to be made in these financial statements in preparation for this change in accounting policy. Further disclosures will be made in the financial statements for the year ended 31 March 2003.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2001 and updated to 31 March 2002 by a qualified independent actuary on a FRS 17 basis. The major assumptions at 31 March 2002 used by the actuary were:

| | |
|--|------|
| Rate of increase in salaries | 4.8% |
| Rate of increase for pensions in payment | 2.8% |
| Discount rate | 5.9% |
| Inflation assumption | 2.8% |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

24 Pension and similar obligations (*continued*)

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

The assets in the scheme and the expected rate of return at 31 March 2002 were:

| | Long-term rate of return expected at 31 March 2002 | Value at March 2002 £'000 |
|---|--|---------------------------------|
| Equities | 7.5% | 14,723 |
| Bonds | 5.5% | 2,440 |
| Other - Property | 6.0% | 1,707 |
| - Cash | 4.0% | 1,047 |
| | | <hr/> |
| Total market value of assets | | 19,917 |
| Present value of scheme liabilities | | (20,150) |
| | | <hr/> |
| Deficit in the scheme | | (233) |
| Related deferred tax asset | | 47 |
| | | <hr/> |
| Net pension liability on a FRS 17 basis | | (186) |

The effect on the profit and loss reserve if both the pension scheme liabilities were incorporated into the financial statements is as follows:

| | 31 March 2002 £'000 |
|---|---------------------------|
| Profit and loss reserve excluding pension liability | 5,857 |
| Pension reserve - Reading Transport Staff Retirement Scheme | (1,944) |
| - Local Government Superannuation Fund | (186) |
| | <hr/> |
| Profit and loss reserve | 3,727 |

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 £2,004,000 (2001 - £1,950,000) as its share of a concessionary fares scheme. The company paid its parent £23,000 (2001 - £57,000) for marketing services.

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (Continued)

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

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Operating profit/(loss) | 493 | (240) |
| Depreciation | 1,592 | 1,849 |
| Amortisation | 22 | 23 |
| (Profit)/loss on sale of tangible fixed assets | (182) | 2 |
| (Increase)/decrease in stocks | (17) | 8 |
| Decrease/(increase) in debtors | 14 | (179) |
| Increase/(decrease) in creditors | 344 | (385) |
| Increase in provisions | 43 | - |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 2,309 | 1,078 |
| | <hr/> | <hr/> |

27 Reconciliation of net cash inflow to movement in net debt

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Increase in cash in the year | 555 | - |
| Cash outflow from decrease in debt and lease financing | 376 | 337 |
| | <hr/> | <hr/> |
| Change in net debt resulting from cash flows | 931 | 337 |
| New finance leases | (758) | (743) |
| Finance leases cancelled | 585 | - |
| | <hr/> | <hr/> |
| Movement in net debt in the year | 758 | (406) |
| Opening net debt | (1,411) | (1,005) |
| | <hr/> | <hr/> |
| Closing net debt | (653) | (1,411) |
| | <hr/> | <hr/> |

28 Analysis of changes in net debt

| | At 1 April 2001 £'000 | Cash flow £'000 | Other non-cash changes £'000 | At 31 March 2002 £'000 |
|--------------------------|--------------------------------|-----------------------|---------------------------------------|---------------------------------|
| Cash in hand and at bank | 1,649 | 555 | - | 2,204 |
| Finance leases | (3,060) | 376 | (173) | (2,857) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | (1,411) | 931 | (173) | (653) |
| | <hr/> | <hr/> | <hr/> | <hr/> |

READING TRANSPORT LIMITED

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

29 Major non-cash transactions

During the year the company entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the lease of £758,000 (2001 - £743,000).

The company also transferred finance lease arrangements in respect of fixed assets with a total value of £585,000 (2001 - £Nil), on the sale of those fixed assets.