

# Reading Transport Limited

Report and Financial Statements

Year Ended

4 October 2009

Company Number 2004963



**IBDO**

---

# Reading Transport Limited

## Report and financial statements for the year ended 4 October 2009

---

### Contents

#### Page.

1	Report of the directors
6	Report of the independent auditors
8	Profit and loss account
9	Statement of total recognised gains and losses
10	Balance sheet
12	Cash flow statement
13	Notes forming part of the financial statements

---

### Directors

Mr S Singleton-White	Councillor W Swain
Mr J Freeman	Councillor M Townend
Mr K Moffatt	Mr D Sutton
Mr F Connelly	Ms C Anscombe (appointed 1 December 2009)
Mr D M Downes	Mrs J Gavaghan (appointed 1 December 2009)

### Secretary and registered office

Mr N Fryer-Saxby, Great Knollys Street, Reading, Berkshire RG1 7HH

### Company number

2004963

### Auditors

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

# **Reading Transport Limited**

## **Report of the directors for the year ended 4 October 2009**

---

The directors present their report together with the audited financial statements for the year ended 4 October 2009

### **Results and dividends**

The profit and loss account of the company is set out on page 8 and shows the result for the year

No dividends were paid during the year (2008 - £Nil) and the directors do not recommend the payment of a final dividend (2008 - £Nil)

### **Principal activities**

The main activities of the company remain

- (a) the provision of local bus services within the greater Reading and Newbury areas,
- (b) the provision of vehicles and drivers for private hire contracts

### **Review of business and future developments**

This has been the most difficult year for Reading Transport Limited ("RTL") for a long time. It followed a number of years in which growth in passenger numbers and therefore revenue has been the regular experience. It has required a significant change to the business, reducing the costs of operation to bring them into line with reduced revenues. Inevitably, the response took time to take effect, and trading conditions in the summer of 2009 were extremely challenging.

In 2008/9 Britain found itself in the worst economic recession in living memory and neither Reading nor Reading Transport Limited was spared the effect of this.

Initially, it seemed as though RTL might actually be benefiting from the reduced economic circumstances of local people, with growth in customer numbers continuing through the first half of the year. From March 2009, however, passenger numbers started to dwindle rapidly and revenue fell away against budget at an alarming rate. Before long, it was clear that revenue would fall short of budget by almost £3 million in the full year.

This produced a requirement for a very significant programme of management action, which was approved by the Board of RTL at its meeting on 25 April 2009. This has been rigorously implemented, resulting in a return to trading profit from the beginning of the 2009/2010 trading year.

The action plan involved adjustments to fares, reductions in mileage, elimination of overheads and a progressive reduction in head-count employed, without having to resort to significant numbers of redundancies (particularly of drivers).

The plan was phased over several months, as follows:

- 1 June 2009 – changes to the fare structure that increased the price of weekly tickets and introduced a new "carnet" product for occasional but regular users,
- 13 July – reduction in bus services of 1,000 paid hours per week and including the withdrawal of 16 vehicles, without substantially altering the levels of service offered or significantly affecting revenue streams,
- 7 September – closure of Newbury Bus Station administrative offices to consolidate Newbury operations on the existing Mill Lane depot site, and transfer administrative functions to Reading - saving £200k in a full year,
- 28 September – further planned reduction of approximately 1,000 hours and the withdrawal of a further eight vehicles. In the event only 250 hours was removed at this point – Reading Borough Council, acting as Transport Authority, exercised its powers under section 91 of the 1985 Transport Act to "buy back" the rest of these changes for three months. Thus RTL had the benefit of the alterations, but did not actually put them into effect until 11 January 2010, when approx 500 hours of savings were implemented and the requirement for buses fell by seven.

# Reading Transport Limited

## Report of the directors for the year ended 4 October 2009 (*continued*)

---

### Review of business and future developments (*continued*)

Other measures include the conversion of the Company's pioneering bio-ethanol buses to diesel propulsion, creating a full-year saving in excess of £350,000. By January 2010 two buses had been converted, with one per week to follow during February to April 2010. In addition, the Company has negotiated a significant increase in on-bus advertising with its contractor CBS Outdoor, planned to improve profits by £100,000 in a full year.

The combination of all these measures has allowed RTL to put together a balanced budget for the budget year 2009/2010, despite greatly reduced turnover. Further action is foreseen for 2010, to increase efficiency and build profits, including changes to the fare structure – to simplify it and boost revenue.

Our defined benefit pension schemes continue to be a major source of balance sheet volatility. The considerable increase in the reported deficit this year is primarily as a result of the lower discount rate that has been used to measure future pension liabilities. Accounting standards require us to use a discount rate in line with high quality corporate bond yields, which have fallen significantly over the year as the impact of the "credit crunch" begins to wane. Pension scheme liabilities extend for up to 50 years, and as a result even small changes to discount rates can lead to large changes in the reported value of pension liabilities. The balance sheet position has been further worsened by poor investment returns over the year, as well as higher long-term inflation expectations.

However, this larger balance sheet liability has no immediate impact on the funding requirements of our two pension schemes. These are reassessed every three years, using prudent assumptions that are not directly linked to corporate bond yields. Deficit repayments are spread over a number of years, reflecting the long-term nature of pension commitments. We are, however, aware of the long-term risks associated with defined benefit pension provision, and as a result have decided to close the scheme to new entrants with effect from April 2010.

Despite the very challenging trading conditions reported above, Reading Transport Limited has continued to achieve high standards in operating its services – and these have been recognised externally by the achievement of a number of awards during the year. In summary the awards RTL either won or was shortlisted for from October 2008 to September 2009 were:

- National Transport Awards 2009: Contribution to sustainable transport - *Shortlisted*
- routeONE 2008: Bus Operator Innovation Award (for the Bio-ethanol project) - *Highly commended*
- UK Bus Awards 2008: Shire Operator of the Year category *Runner up*
- UK Bus Awards 2008: Department for Transport's Winning New Customers - *Highly commended*
- Government Business Awards 2009: Environmental Transport category (for the bio-ethanol bus project in Reading) – *Commended*
- Sustainable City Awards 2009: Sustainable travel and transport - *Runner up*

More recently, the Company has been successful in both the RouteOne Bus Operator Awards and the UK Bus Awards.

### Conclusion

After a very rapid downturn in the Company's circumstances during 2009, the immediate response involving measures to reflect the reduced size of the market and to improve profitability has meant the ability to produce a balanced budget for 2009/2010. Trading performance in the first three periods of the new trading year has been significantly ahead of the budget. The Company is now better placed than before to take advantage of any economic recovery that may come in due course.

# Reading Transport Limited

## Report of the directors for the year ended 4 October 2009 (*continued*)

### Risks and uncertainties faced by the Company

#### *Competitive pressures*

Our main competitor remains the car. The cost of driving a car is generally perceived as being lower than travelling by bus, especially if there is more than one person in the car. To make bus travel a viable alternative to the car we continue to work with local authorities to introduce bus priority measures and effect infrastructure changes promoting bus patronage.

#### *Fuel costs*

Fuel prices and supply levels can be influenced significantly by international, political and economic circumstances. If fuel supply shortages were to arise because of national strikes, world supply difficulties, disruption of refining capacity or oil imports the resultant higher fuel prices and disruption to services could adversely impact the Company's operating results. To mitigate the risks of rising fuel costs the Company enters into contracts to buy fuel at fixed prices.

#### *Customer service*

The Company's revenues are at risk if it does not continue to provide the level of service expected by customers. This could result in passengers no longer using our services. To mitigate this risk all staff undertake training programmes through our RTL Academy to ensure they are aware of and abide by the levels of service that are required by our customers.

#### *Economy*

The level of economic activity affects the number of bus journeys taken by passengers. Any changes in economic activity may impact upon the passenger numbers and hence our operations, although we have the ability to modify services by giving notice of such modifications. However, there is always a time lag before action to correct trends takes effect.

### Main Business KPIs

The company uses the following KPIs to manage its operational and financial activities

Key Performance Indicator	2008/9	2007/8
No of PSVs	182	202
Approximate Fleet Age	4 years	4 years
Turnover/vehicle	£143,939	£134,119
Turnover/employee	£48,100	£51,700
Wage cost as a % of turnover	62%	61%
Fuel Cost as a % of turnover	10.3%	8.3%
Depreciation as a % of turnover	10%	9.1%
Percentage of fleet conforming to Euro III emission standard or above	90%	89%

### 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.

# **Reading Transport Limited**

## **Report of the directors for the year ended 4 October 2009 (*continued*)**

---

### **Charitable and political contributions**

Contributions made by the company during the year for charitable purposes amounted to £1,208 (2008 - £1,334)  
No political contributions were made during the year

### **Employees**

The weekly Bulletin was introduced in October 2007 and has been issued weekly ever since. It is sent to all staff in either e-mail or paper form. The Bulletin is supported by electronic Flash Boards, positioned in key locations and used to convey important messages to staff in real time. Within departments, separate monthly newsletters are also issued.

The RTL Academy was launched in October 2008, which has subsequently brought new and much higher standards to staff development and training.

The Company is proud of its record in seeking to treat all employees and potential recruits in the same way regardless of their sex, race, ethnic origin or disability and to develop a positive and supportive approach to all employees.

### **Financial Instruments**

The Company's policy in respect of interest rate risk and liquidity risk is to maintain a mixture of long term and short term debt finance and readily accessible bank deposits to ensure that the Company has sufficient funds for its operations. The cash deposits are held in current and deposit accounts which earn interest at a floating rate. Debt is maintained at fixed interest rates.

### **Directors**

The directors of the company at 4 October 2009, all of whom, unless stated, served throughout the year then ended, were

Mr S Singleton-White (Chair)  
Mr J Freeman (Chief Executive Officer)  
Mr J Carney (Financial Director and Company Secretary) (resigned 30 November 2009)  
Mr S Simpson (Operations Director) (resigned 30 November 2009)  
Mr D M Downes  
Councillor A Jones (resigned 1 December 2008)  
Councillor W Swain  
Councillor M Townend  
Mr F Connelly  
Mr K Moffatt  
Mr D Sutton

At 4 October 2009, third party indemnity cover in respect of the company's directors was in force.

# Reading Transport Limited

## Report of the directors for the year ended 4 October 2009 (*continued*)

---

### Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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.

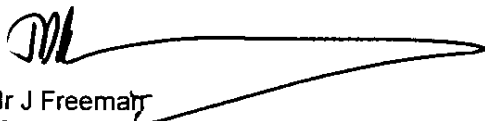
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

### On behalf of the Board



Mr J Freeman  
Director

24 February 2010

# **Reading Transport Limited**

## **Independent auditor's report**

---

### **TO THE MEMBERS OF READING TRANSPORT LIMITED**

We have audited the financial statements of Reading Transport Limited for the year ended 4 October 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 4 October 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# Reading Transport Limited

## Independent auditor's report (*Continued*)

---

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanation we require for our audit

*BDO LLP*

*Christopher Pooles, senior statutory auditor  
For and on behalf of BDO LLP, statutory auditor  
Reading  
United Kingdom*

1 March 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Reading Transport Limited

## Profit and loss account for the year ended 4 October 2009

	Note	2009 £'000	2008 £'000
<b>Turnover</b>	2	<b>26,197</b>	27,092
Operating costs	3	<b>(26,432)</b>	(26,315)
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>	6	<b>(235)</b>	777
Profit on disposal of fixed assets		<b>126</b>	349
		<hr/>	<hr/>
		<b>(109)</b>	1,126
Interest receivable and similar income		<b>26</b>	158
Interest payable and similar charges	7	<b>(754)</b>	(706)
Other finance costs	8	<b>(614)</b>	(104)
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(1,451)</b>	474
Taxation on (loss)/profit from ordinary activities	9	<b>555</b>	173
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(896)</b>	647
		<hr/>	<hr/>

All amounts relate to continuing activities

The notes on pages 13 to 32 form part of these financial statements

# Reading Transport Limited

## Statement of total recognised gains and losses for the year ended 4 October 2009

	Note	2009 £'000	2008 £'000
(Loss)/profit for the year		(896)	647
Actuarial losses on defined benefit pension scheme	23	(17,511)	(993)
Deferred tax on pension scheme liability – origination and reversal of timing differences		3,338	(123)
– changes in tax rates		-	76
Total recognised gains and losses for the year		<u>(15,069)</u>	<u>(393)</u>

The notes on pages 13 to 32 form part of these financial statements

# Reading Transport Limited

## Balance sheet at 4 October 2009

<b>Company number 2004963</b>	<b>Note</b>	<b>2009 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>	<b>2008 £'000</b>
<b>Fixed assets</b>					
Tangible assets	10		20,560		23,257
Investments	11		96		96
			<hr/>		<hr/>
			20,656		23,353
<b>Current assets</b>					
Stocks	12	238		367	
Debtors	13	2,680		1,853	
Cash at bank and in hand		1,780		3,423	
		<hr/>		<hr/>	
		4,698		5,643	
<b>Creditors' amounts falling due within one year</b>	14	(4,204)		(4,296)	
		<hr/>		<hr/>	
<b>Net current assets</b>			494		1,347
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			21,150		24,700
<b>Creditors' amounts falling due after more than one year</b>	15	(11,558)		(13,410)	
<b>Provision for liabilities and charges</b>	16	(771)		(997)	
		<hr/>		<hr/>	
			12,329		14,407
			<hr/>		<hr/>
<b>Net assets excluding pension liability</b>			8,821		10,293
<b>Pension liability</b>	23		(19,757)		(6,160)
			<hr/>		<hr/>
<b>Net (liabilities)/assets including pension liability</b>			(10,936)		4,133
			<hr/>		<hr/>

The notes on pages 13 to 32 form part of these financial statements

# Reading Transport Limited

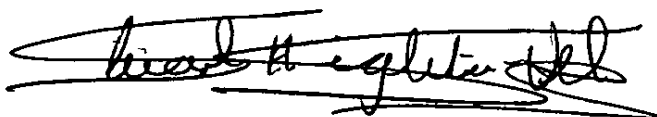
## Balance sheet at 4 October 2009 (continued)

	Note	2009 £'000	2008 £'000
<b>Capital and reserves</b>			
Called up share capital	18	3,974	3,974
Profit and loss account	19	(14,910)	159
		<hr/>	<hr/>
<b>Equity shareholder's (deficit)/funds</b>	20	<b>(10,936)</b>	<b>4,133</b>
		<hr/>	<hr/>

The financial statements were approved by the Board and authorised for issue on 24 February 2010



Mr J Freeman  
Director



Mr S Singleton-White  
Director

The notes on pages 13 to 32 form part of these financial statements

# Reading Transport Limited

## Cash flow statement for the year ended 4 October 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Net cash inflow from operating activities</b>	25		607		2,850
<b>Returns on investments and servicing of finance</b>					
Interest received		26		158	
Interest element of finance lease rental payments		(754)		(706)	
			(728)		(548)
<b>Taxation</b>					
UK corporation tax			-		-
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(209)		(3,341)	
Sale of tangible fixed assets		389		564	
			180		(2,777)
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>			59		(475)
<b>Financing</b>					
Capital element of finance lease rental payments		(1,407)		(1,417)	
Loan repayments		(295)		(831)	
Loan advanced in year		-		2,807	
Grants received		-		834	
			(1,702)		1,393
<b>(Decrease)/increase in cash</b>	26,27		(1,643)		918

The notes on pages 13 to 32 form part of these financial statements

# Reading Transport Limited

## Notes forming part of the financial statements for the year ended 4 October 2009

### 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*

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.

#### *Tangible fixed assets*

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

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

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

#### *Investments*

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

#### *Impairment of fixed assets and goodwill*

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of its realisable value and value in use.

#### *Grants*

Grants in respect of capital expenditure are credited to deferred income and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

# Reading Transport Limited

## Notes forming part of the financial statements for the year ended 4 October 2009 (*Continued*)

---

### 1 Accounting policies (*Continued*)

#### *Finance and operating leases*

Assets held under finance leases are treated as if they had been purchased outright and are capitalised at an amount equal to the fair value of the asset at the inception of the lease and depreciated on a systematic basis over the shorter of the lease term and its useful life. The capital element of the leasing commitments is shown as obligations under finance leases. Finance charges are allocated to accounting years so as to produce a constant periodic rate of charge on the remaining balance of the obligation. Costs in respect of operating leases are charged on a straight line basis over the lease term.

#### *Stocks*

Stocks are stated at the lower of cost, including transport and handling costs, and net realisable value. In some cases the cost of components is the part exchange value net of allowances for returned, defective parts. Net realisable value is determined by a review of forecast future use. Provision is made where necessary for obsolete, slow moving and defective stocks.

#### *Turnover*

Turnover, which excludes value added tax, represents amounts receivable by the company for services provided in the ordinary course of business. Income from travel cards is apportioned and recognised in turnover according to the period for which the travel card is valid.

#### *Taxation*

The charge for taxation is based on the result for the year and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

#### *Accident claims*

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



# Reading Transport Limited

## Notes forming part of the financial statements for the year ended 4 October 2009 (*Continued*)

---

### 1 Accounting policies (*Continued*)

#### *Pension costs*

Employees of the company are eligible to join one of the two defined benefit schemes to which the company contributes, depending upon date of appointment as follows

- (a) Employees at 20 October 1986 have been deemed to be employees of Reading Borough Council for pension purposes and are members of the local government superannuation scheme, to which the company contributes in accordance with the Local Government Superannuation Regulations
- (b) Employees who joined the company since 20 October 1986, together with any employees who are eligible for the local government scheme who wish to leave that scheme, are eligible to join the Reading Transport Staff Retirement Scheme

The funds are valued every three years by independent qualified actuaries, the rates of contribution payable being determined by the actuaries. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the year during which the company benefits from employees' services. Variations in pension cost are spread over the expected service lives of current employees.

The company fully adopted accounting standard FRS 17 "Retirement Benefits" during the year ended 30 September 2007 and adopted the amendments to FRS 17 during the year ended 5 October 2008.

The difference between the fair value of the assets held in the company's defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method, are recognised in the company's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contributions by the company are charged to the profit and loss account or statement of total recognised gains and losses in accordance with FRS 17 "Retirement benefits".

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.

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 3 Operating costs

	2009 £'000	2008 £'000
Raw materials and consumables	3,570	3,131
Other external charges	4,019	4,295
Staff costs (see note 4)	16,200	16,433
Depreciation	2,643	2,456
	<u>26,432</u>	<u>26,315</u>

## 4 Employees

	2009 £'000	2008 £'000
Staff costs consist of		
Wages and salaries	14,287	14,467
Social security costs	1,208	1,247
Other pension costs	705	719
	<u>16,200</u>	<u>16,433</u>

	2009 £'000	2008 £'000
Analysis of the amount that has been charged to operating profit		
Current service cost	705	643
Past service cost	-	76
	<u>705</u>	<u>719</u>
Total operating charge	705	719

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (Continued)

## 4 Employees (Continued)

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

	2009 Number	2008 Number
Traffic	439	416
Engineering	78	80
Administration	28	28
	<u>545</u>	<u>524</u>

## 5 Directors

	2009 £'000	2008 £'000
Directors' emoluments consist of		
Fees and remuneration for management services	408	344
Compensation for loss of office	41	-
	<u>449</u>	<u>344</u>

The highest paid directors in 2009 and 2008 were different members of the company's Board of Directors. The emoluments of these directors was as follows

Emoluments	<u>134</u>	<u>111</u>
------------	------------	------------

There were 4 directors in the company's defined benefit pension schemes during the year (2008 – 4)

The highest paid directors referred to above are members of one of the defined benefit schemes. The highest paid director in 2009 had an accrued pension at the year end of £31,482 or a reduced pension of £21,327 and an accrued lump sum of £142,179. The highest paid director in 2008 had an accrued pension of £831 at that year end and an accrued lump sum of £1,876.

## 6 Operating (loss)/profit

	2009 £'000	2008 £'000
This has been arrived at after (crediting)/charging		
Depreciation	2,643	2,456
Hire of plant and machinery - operating leases	182	263
Grants receivable	(93)	(38)
Auditors' remuneration - audit	29	26
- services relating to taxation	7	7
- all other services	14	14
	<u></u>	<u></u>

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 7 Interest payable and similar charges

	2009 £'000	2008 £'000
Finance leases and hire purchase contracts	552	575
Loan from parent	202	131
	<u>754</u>	<u>706</u>

## 8 Other finance costs

	2009 £'000	2008 £'000
Expected return on pension scheme assets	(2,323)	(2,621)
Interest on pension scheme liabilities	2,937	2,725
	<u>614</u>	<u>104</u>

## 9 Taxation on (loss)/profit on ordinary activities

	2009 £'000	2008 £'000
<i>Current tax-</i>		
UK corporation tax on profit/(loss) of the year	-	-
	<u>-</u>	<u>-</u>
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	555	(173)
	<u>555</u>	<u>(173)</u>
Taxation on (loss)/profit on ordinary activities	<u>555</u>	<u>(173)</u>

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 9 Taxation on (loss)/profit on ordinary activities (*Continued*)

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below.

	2009 £'000	2008 £'000
(Loss)/profit on ordinary activities before tax	(1,451)	474
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 21% (2008 - 21%)	(305)	100
Effect of		
Expenses not deductible for tax purposes	21	2
Non-taxable income	(20)	(8)
Depreciation in excess of capital allowances	366	48
Movement in short-term timing differences	(81)	17
Net FRS 17 credit not taxable	18	(159)
Current tax charge for the year	-	-

### *Factors that may affect the future tax charge*

The company has tax losses of approximately £186,000 (2008 - £186,000) to carry forward for offset against future taxable profits of the same trade.

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 10 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 6 October 2008	435	5,431	25,141	3,632	18	34,657
Additions	-	-	136	72	1	209
Disposals	-	-	(2,102)	(44)	(18)	(2,164)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 4 October 2009	<b>435</b>	<b>5,431</b>	<b>23,175</b>	<b>3,660</b>	<b>1</b>	<b>32,702</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
At 6 October 2008	137	935	7,378	2,950	-	11,400
Reclassification	-	-	133	(133)	-	-
Provided for the year	5	76	2,358	204	-	2,643
Disposals	-	-	(1,865)	(36)	-	(1,901)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 4 October 2009	<b>142</b>	<b>1,011</b>	<b>8,004</b>	<b>2,985</b>	<b>-</b>	<b>12,142</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 4 October 2009	<b>293</b>	<b>4,420</b>	<b>15,171</b>	<b>675</b>	<b>1</b>	<b>20,560</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 5 October 2008	298	4,496	17,763	682	18	23,257
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

Included within the depreciation charge above for buses and coaches is an impairment charge amounting to £75,904

The net book value of tangible fixed assets includes an amount of £9,349,181 (2008 - £10,959,458) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge for the year was £1,422,000 (2008 - £1,352,000)

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 11 Fixed asset investments

	Group undertakings £'000
<i>Cost</i>	
At 6 October 2008 and 4 October 2009	208
<i>Provision for diminution in value</i>	
At 6 October 2008 and 4 October 2009	112
<i>Net book value</i>	
At 6 October 2008 and at 4 October 2009	96

The company's subsidiaries, all of which are 100% owned, dormant and registered in Great Britain are as follows

Greater Reading Omnibus Company Limited  
Reading Rovers Limited  
Reading Minibuses Limited  
Reading Buses Limited  
Newbury Buses Limited  
Reading Transport Pension Trustees Limited

At 4 October 2009 these companies had combined net assets of £96,000 (2008 - £96,000)

## 12 Stocks

	2009 £'000	2008 £'000
Spare parts and consumables	238	367

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 4 October 2009 (*Continued*)

## 13 Debtors

	2009 £'000	2008 £'000
Trade debtors	860	928
Amounts due from parent undertaking	376	171
Other debtors	1,186	476
Prepayments and accrued income	258	278
	<hr/>	<hr/>
	2,680	1,853
	<hr/>	<hr/>

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

## 14 Creditors, amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	395	463
Amounts owed to parent undertaking	632	426
Amounts owed to subsidiary undertakings	96	96
Other creditors	623	754
Taxation and social security	486	524
Obligations under finance leases and hire purchase contracts	1,203	1,256
Accruals	769	777
	<hr/>	<hr/>
	4,204	4,296
	<hr/>	<hr/>



# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 15 Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Obligations under finance leases and hire purchase contracts	7,873	9,227
Amounts due to parent undertaking	3,027	3,433
Accruals and deferred income	658	750
	<u>11,558</u>	<u>13,410</u>
Obligations under finance leases are due as follows		
In one year or less	1,203	1,256
In more than one year but not more than two years	1,272	1,259
In more than two years but not more than five years	4,165	4,113
In more than five years	2,436	3,855
	<u>9,076</u>	<u>10,483</u>

The total value of finance leases repayable by instalments, any part of which falls due after more than five years, is £7,663,418 (2008 - £10,153,561). These liabilities are repayable in instalments at rates of interest ranging between 4.573% and 7.47% and are secured on the underlying assets.

## 16 Provision for liabilities and charges

	Deferred tax £'000	Uninsured claims £'000	Total £'000
At 6 October 2008	416	581	997
Transferred from/(to) profit and loss account	(278)	52	(226)
	<u>138</u>	<u>633</u>	<u>771</u>
At 4 October 2009			

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 £20,000 (2008 - £25,000) per claim. It is secured by a fixed charge amounting to £550,000 (2008 - £550,000) over the company's assets.

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 17 Deferred taxation

	2009 Provided in accounts £'000	2008 Provided in accounts £'000
Accelerated capital allowances	197	456
Other	(20)	(3)
	<hr/>	<hr/>
	177	453
Unutilised tax losses	(39)	(37)
	<hr/>	<hr/>
	138	416
	<hr/>	<hr/>

## 18 Share capital

	Authorised		Allotted, called up and fully paid	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Ordinary shares of £1 each	3,974	3,974	3,974	3,974
	<hr/>	<hr/>	<hr/>	<hr/>

## 19 Reserves

	Profit and loss account £'000
At 6 October 2008	159
Loss for the year	(896)
Actuarial losses on defined benefit pension scheme	(17,511)
Deferred tax on pension scheme liability	3,338
	<hr/>
At 4 October 2009	(14,910)
	<hr/>

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 20 Reconciliation of movement in shareholder's (deficit)/funds

	2009 £'000	2008 £'000
(Loss)/profit for the year	(896)	647
Actuarial losses on defined benefit pension scheme	(17,511)	(993)
Deferred tax on pension scheme liability	3,338	(47)
	<hr/>	<hr/>
Net movement in shareholder's funds	(15,069)	(393)
Opening shareholder's funds	4,133	4,526
	<hr/>	<hr/>
Closing shareholder's (deficit)/funds	(10,936)	4,133
	<hr/>	<hr/>

## 21 Capital commitments

	2009 £'000	2008 £'000
Contracted but not provided for	11	137
	<hr/>	<hr/>

# Reading Transport Limited

## Notes forming part of the financial statements for the year ended 4 October 2009 (*Continued*)

### 22 Commitments under operating leases

As at 4 October 2009, the company had annual commitments under non-cancellable operating leases, none of which relate to land and buildings, as set out below

	2009 £'000	2008 £'000
Operating leases which expire		
Within one year	44	49
Within two to five years	52	212
	<hr/>	<hr/>
	96	261
	<hr/>	<hr/>

### 23 Pension and similar obligations

The company operates two defined benefit pension schemes funded both by employers 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.

#### (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. This scheme is closed to new members. Under the projected unit method, the current service cost will increase as members approach retirement.

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 23 Pension and similar obligations (*Continued*)

	2009 £'000	2008 £'000
<i>Reconciliation of present value of defined benefit obligations</i>		
At the beginning of the year	42,354	46,633
Current service cost	705	643
Past service cost	-	76
Interest cost	2,937	2,725
Actuarial losses/(gains)	16,135	(6,619)
Contributions	749	753
Benefits paid	(2,210)	(1,827)
Unfunded pension payments	(30)	(30)

At the end of the year	60,640	42,354
------------------------	--------	--------

	2009 £'000	2008 £'000
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	34,557	39,073
Expected return on plan assets	2,323	2,621
Actuarial gains/(losses)	(1,376)	(7,612)
Contributions by company	1,618	1,579
Contributions by participants	749	753
Benefits paid	(2,240)	(1,857)

At the end of the year	35,631	34,557
------------------------	--------	--------

The company expects to contribute £1,430,000 to its defined benefit pension plans during the year ending 3 October 2010

	2009 £'000	2008 £'000
<i>Reconciliation to balance sheet</i>		
Present value of funded obligations	60,183	41,948
Fair value of plan assets	(35,631)	(34,557)
	24,552	7,391
Present value of unfunded obligations	457	406
Plan deficit	25,009	7,797
Related deferred tax asset	(5,252)	(1,637)
Net liability	19,757	6,160

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 23 Pension and similar obligations (*Continued*)

An analysis of the net pension liability, split between each scheme is shown below

	2009 £'000	2008 £'000
Reading Transport Staff Retirement Scheme	7,280	2,061
Local Government Superannuation Fund	12,477	4,099
	<u>19,757</u>	<u>6,160</u>

	2009 £'000	2008 £'000
<i>The amounts recognised in profit and loss are as follows</i>		
<i>Included in administrative expenses</i>		
Current service cost	705	643
Past service cost	-	76
<i>Included in other finance costs</i>		
Interest cost	2,937	2,725
Expected return on plan assets	(2,323)	(2,621)
	<u>1,319</u>	<u>823</u>

	2009 £'000	2008 £'000
<i>Amounts recognised in statement of total recognised gains and losses</i>		
Actuarial losses recognised in the statement of total recognised gains and losses	(17,511)	(993)
Cumulative actuarial losses recognised in the statement of total recognised gains and losses	<u>(24,139)</u>	<u>(6,628)</u>

An analysis of the actuarial losses recognised in the statement of total recognised gains and losses, split between each scheme is shown below

	2009 £'000	2008 £'000
Reading Transport Staff Retirement Scheme	(7,260)	670
Local Government Superannuation Fund	(10,251)	(1,663)
	<u>(17,511)</u>	<u>(993)</u>

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 23 Pension and similar obligations (*Continued*)

	2009 %	2008 %
<i>The major categories of plan assets as a percentage of total plan assets are as follows</i>		
Equities	47.61	57.84
Gilts	1.48	5.02
Other bonds	42.21	25.68
Property	5.97	7.68
Cash	2.73	3.78
	<hr/>	<hr/>
Total plan assets	100.00	100.00
	<hr/>	<hr/>

*Narrative description of the basis used to determine the overall expected rate of return of assets*

Overall expected rate of return on plan assets is based upon the long term expectation for each asset class at the beginning of the accounting period

	2009 £'000	2008 £'000
Actual return on plan assets	947	(5,590)
	<hr/>	<hr/>

	2009 %	2008 %
<i>Principal actuarial assumptions used at the balance sheet date</i>		
Discount rates	5.10	7.00
Expected rates of return on plan assets		
Equities	6.60	7.50
Gilts	4.10	4.50
Other bonds	5.50	7.20
Property	5.40	5.80
Cash	5.00	5.00
Future salary increases	4.10	4.60
Inflation assumption	3.60	3.80
Future pension increases – pre 1997*	3.00	3.00
Future pension increases – pre 1997 – 2006*	3.40	3.00
Future pension increases	2.90	3.20

\*applicable to the Reading Transport Staff Retirement Scheme only

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

## 23 Pension and similar obligations (*Continued*)

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
<i>Five year history</i>					
Present value of the plan liabilities	(60,640)	(42,354)	(46,633)	(48,638)	(43,691)
Fair value of the plan assets	35,631	34,557	39,073	35,318	31,629
Deficit on the pension plans	(25,009)	(7,797)	(7,560)	(13,320)	(12,062)
<i>Experience adjustments arising on</i>					
Plan liabilities	(50)	1,297	(30)	(731)	1,269
Plan assets	(1,376)	(7,612)	984	1,487	3,709

As permitted by FRS17 (amended), the company has not restated the disclosures for 2005 arising from the change in the valuation basis of assets from mid-market price to current bid-price during the year ended 5 October 2008

## 24 Related party transactions and controlling party

The company is wholly owned by Reading Borough Council, which is the company's ultimate controlling party. The following related party transactions took place between the company and Reading Borough Council during the year:

- the company received income of £2,673,650 (2008 - £2,434,588) as its share of a concessionary fares scheme and received income totalling £985,000 under other contracts and agreements,
- the company paid £214,720 (2008 - £95,000) for marketing and other services

During the year ended 5 October 2008, the company entered into a loan agreement with Reading Borough Council. The total amount borrowed was £2,807,000 and interest is payable at rates between 4.95% and 5.30% per annum.

During the year ended 5 October 2008, the company received a grant of £834,000 from Reading Borough Council in respect of the reduction of the company's carbon footprint through a switch to ethanol fuel.

At the year end, the company owed £3,282,924 to Reading Borough Council (2008 - £3,692,501).



# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

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

	2009 £'000	2008 £'000
Operating (loss)/profit	(235)	777
Depreciation	2,643	2,456
Adjustments relating to defined benefit pension schemes	(913)	(860)
Decrease/(increase) in stocks	129	(104)
(Increase)/decrease in debtors	(827)	254
(Decrease)/increase in creditors	(149)	359
Increase in provisions	52	6
Amortisation of grant	(93)	(38)
Net cash inflow from operating activities	607	2,850

## 26 Reconciliation of net cash (outflow)/inflow to movement in net debt

	2009 £'000	2008 £'000
(Decrease)/increase in cash in the year	(1,643)	918
Cash outflow from debt, lease and hire purchase financing	1,702	(559)
Change in net debt resulting from cash flows	59	359
New finance leases, hire purchase agreements and loans	-	(4,129)
Other non-cash changes	37	-
Movement in net debt in the year	96	(3,770)
Opening net debt	(10,824)	(7,054)
Closing net debt	(10,728)	(10,824)

## 27 Analysis of changes in net debt

	At 6 October 2008 £'000	Cash flow £'000	Other non-cash changes £'000	At 4 October 2009 £'000
Cash in hand and at bank	3,423	(1,643)	-	1,780
Debt due within one year	(331)	295	(369)	(405)
Debt due after one year	(3,433)	-	406	(3,027)
Finance leases	(10,483)	1,407	-	(9,076)
	(14,247)	1,702	37	(12,508)
	(10,824)	59	37	(10,728)

# Reading Transport Limited

Notes forming part of the financial statements  
for the year ended 4 October 2009 (*Continued*)

---

## 28 Major non-cash transactions

During the year the company entered into finance lease and hire purchase arrangements in respect of fixed assets with a total capital value at the inception of the lease of £Nil (2008 - £4,129,278)