

# **Reading Transport Limited**

## **Annual report for the year ended 31 March 1993**

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## **Directors' report for the year ended 31 March 1993**

The directors present their report and the audited financial statements for the year ended 31 March 1993.

### **Principal activities**

The main activities of the company are:

- (a) the provision of local bus services within the greater Reading area;
- (b) the operation of the London Line express service between Reading, Newbury and London;
- (c) the operation of a tours and excursion programme;
- (d) the provision of vehicles and drivers for private hire contracts.

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

Trading conditions in the company's mainstream business and year end financial position was satisfactory.

The company has built on the success of its reorganisation to deliver greater services to the public. In August 1992 we acquired the Berks Bucks Bus Co. Limited's Reading and Newbury bus services to enhance our town network. Since acquisition we have invested heavily in these services and we plan to reduce the average age of vehicles operated, by 3.5 years in Reading and 2.0 years in Newbury, by March 1994. Fares were not increased during 1992/93.

Modern, clean vehicles with DIPTAC approved safety features are important elements of our strategy to resist the historical decline in bus patronage. Other components are good communications with the public to raise their perception of the quality of bus travel. This policy played a crucial role when Reading's shopping centre was pedestrianised; as a consequence we did not suffer significant customer losses from the considerable disruption that occurred.

Working with the local authority and county council has continued to be very productive. Bus priority measures in the Transportation Accord are now being implemented and we expect that they will reduce vehicle congestion and emissions within Reading. Our concern for the environment led us to trial rapeseed diesel in three vehicles to establish its viability as a fuel for buses. The initial results of the Transport Research Laboratory show that this fuel's emissions of smoke and sulphurous oxides are far lower than conventional diesel. Naturally, this work has had substantial national media coverage, including television.

In April 1992, we launched our London Line express bus service from Reading and in April 1993 the service was extended to Newbury. The quality of the service has been enhanced during the year with three coaches added to the fleet.

In June 1992, the Department of the Environment held an enquiry into the Compulsory Purchase Order to acquire the Mill Lane depot. An agreement has been reached with Reading Borough Council to relocate to Great Knollys Street.

## Results and dividends

The profit and loss account for the year is set out on page 5.

An interim dividend of £225,000 was paid during March 1993 at the request of the shareholder (1992: £300,000). After payment of this dividend, £192,000 of the profit for the financial year will be transferred to the company's reserves. The directors do not recommend the payment of a final dividend for the year (1992 - £Nil).

## Changes in fixed assets

The movements in fixed assets during the year are set out in note 12 to the accounts.

## Directors

The directors of the company at 31 March 1993, all of whom served throughout the year unless otherwise stated, were:-

A W Page	(Chairman)
R C Wilson	(Managing Director)
J Carney	(Financial Director and Company Secretary)
C Thompson	(Traffic Operations Director)
Mrs J E Orton	
M D Price	
R C Taylor	
G H Ford	
C R Chandler	Resigned 11 May 1992 Reappointed 3 June 1992
J Griffiths	Appointed 3 June 1992
D Downes	Appointed 3 June 1992

## Directors' interests in shares of the company

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

## Charitable and political contributions

Contributions made by the company during the year for charitable purposes amounted to £3,130 (1992: £2,658). No political contributions were made during the year.

# Reading Transport Limited

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## 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 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. Last year we invested in over 1,000 days training, covering Management and Supervisory skills and Customer Care essentially. The company employs six engineering apprentices at a time when many companies have reduced and even disbanded such schemes. In September 1992 an employee won the National Bus Driver of the Year competition.

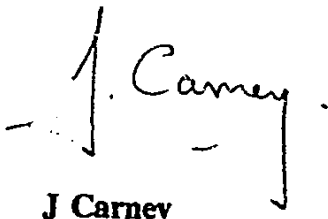
It has always been Company policy to treat both job applicants and employees in the same fair way regardless of their sex, race, ethnic origin or disability, and we are keen to ensure that a positive caring approach to good equal opportunities practice is being adopted.

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.

## Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting. Until 1 June 1992 the Firm practised in the name of Coopers & Lybrand Deloitte.

By order of the board

A handwritten signature in dark ink, appearing to read 'J. Carney'. The signature is written in a cursive style with a long vertical stroke at the end.

J Carney

Secretary

17<sup>th</sup> June 1993

## **Report of the auditors to the members of Reading Transport Limited**

We have audited the financial statements on pages 5 to 21 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1993 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*

**Coopers & Lybrand**

**Chartered Accountants and Registered Auditors**  
**Reading 17<sup>th</sup> June 1993**

**Profit and loss account  
for the year ended 31 March 1993**

	Notes	1993 £000	1992 £000
Turnover	2	<u>13,547</u>	<u>11,085</u>
Operating profit before exceptional item	3	961	763
Exceptional charge	6	<u>185</u>	<u>153</u>
Operating profit		776	610
Interest receivable		326	481
Interest payable and similar charges	7	<u>166</u>	<u>148</u>
Profit on ordinary activities before taxation	8	936	943
Taxation	9	<u>519</u>	<u>345</u>
Profit on ordinary activities after taxation		417	598
Dividends paid	10	<u>225</u>	<u>300</u>
Retained profit for the year		<u>192</u>	<u>298</u>

**Statement of retained profits**

Retained profits at 1 April		1,825	1,884
Retained profit for the year		192	298
Goodwill write-off	20	<u>(751)</u>	<u>(357)</u>
Retained profits at 31 March		<u>1,266</u>	<u>1,825</u>

# Reading Transport Limited

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## Balance sheet at 31 March 1993

	Notes	1993 £'000	1992 £'000
<b>Fixed assets</b>			
Tangible assets	12	4,549	4,228
<b>Current assets</b>			
Stocks	13	225	159
Debtors	14	765	605
Deferred taxation	18	87	39
Cash at bank and in hand		3,485	3,625
		<u>4,562</u>	<u>4,428</u>
<b>Creditors: amounts falling due within one year</b>	15	2,035	1,334
<b>Net current assets</b>		<u>2,527</u>	<u>3,094</u>
<b>Total assets less current liabilities</b>		<u>7,076</u>	<u>7,322</u>
<b>Creditors: amounts falling due after more than one year</b>	16	1,279	1,253
<b>Provisions for liabilities and charges</b>	17	557	270
		<u>1,836</u>	<u>1,523</u>
<b>Net assets</b>		<u>5,240</u>	<u>5,799</u>
<b>Capital and reserves</b>			
Called up share capital	19	3,974	3,974
Profit and loss account		1,266	1,825
		<u>5,240</u>	<u>5,799</u>

The financial statements on pages 5 to 21 were approved by the board of directors on 17/6/93 and were signed on its behalf by:



R C Wilson

Director

## Cash flow statement for the year ended 31 March 1993

	Notes	1993 £000	1992 £000
Net cash inflow from operating activities	24	1,858	1,974
Returns on investments and servicing of finance			
Interest received		326	482
Interest paid		(128)	(128)
Interest paid on finance leases		(38)	(20)
Dividends paid		(225)	(300)
Net cash inflow from returns on investments and servicing of finance		(65)	34
Taxation			
UK corporation tax paid		(114)	(371)
Investing activities			
Purchase of fixed assets		(935)	(962)
Sale of fixed assets		27	147
Purchase of unincorporated business	20	(742)	(357)
Purchase of Certificate of Tax Deposit		-	(159)
Net cash (outflow) from investing activities		(1,650)	(1,331)
Net cash inflow before financing		29	306
Financing			
Payment of principal under finance leases		(169)	(70)
Increase in cash and cash equivalents	25	(140)	236



## Notes to the financial statements for the year ended 31 March 1993

### 1 Principal accounting policies

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

#### Basis of accounting

The accounts have been prepared under the historical cost convention.

#### Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Purchased goodwill is written off immediately against reserves.

#### Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. The purchase price of assets taken over at 20 October 1986 was established by a valuation in accordance with guidelines issued by the Department of Transport. Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets on a systematic basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:-

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

No depreciation is charged on freehold land.

#### Finance and operating leases

Assets held under finance leases 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. In the case of finance leases taken over on 20 October 1986, the value of the assets has been written down to fair value at that date. 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.

## 1 Principal accounting policies - continued

### Stocks

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

### Turnover

Turnover, which excludes value added tax, represents amounts receivable by the company for services provided in the ordinary course of business.

### Taxation

The charge for taxation is based on the profit for the period as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise. Where this is not known the latest estimate of the long term tax rate applicable has been adopted. The amount of unprovided deferred tax is calculated at the best estimate of corporation tax rates in the longer term and is analysed into its major components.

### Unconsolidated subsidiaries

In accordance with Section 229(5) of the Companies Act 1985, consolidated accounts have not been prepared because the inclusion of the net assets of the company's dormant subsidiaries would not be material to the accounts.

## 1 Principal 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 cost of providing future benefits is estimated by independent qualified actuaries using the Attained Age method. Any difference between the cost charged and the amounts paid by the company is treated as a prepayment or accrual as appropriate. Variations in pension cost are spread over the expected service lives of current employees.

### Accident claims

The company maintains insurance cover against third party liability claims for claims exceeding £25,000 (1992: £5,000). Any claims below £25,000 or those disputed by the insurers are charged to the profit and loss account in the year in which they arise.

## 2 Turnover

All turnover is generated within the United Kingdom.

## 3 Operating profit before exceptional item

	1993 £000	1992 £000
Turnover (see note 2)	13,547	11,085
Raw materials and consumables	(1,889)	(1,440)
Other external charges	(2,249)	(1,737)
Staff costs (see note 5)	(7,525)	(6,274)
Depreciation	(923)	(871)
Operating profit before exceptional item	961	763

## 4 Directors' emoluments

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

	1993 £000	1992 £000
Fees	4	8
Other emoluments (including pension contributions and benefits in kind)	175	167
Aggregate emoluments	179	175

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1993 £000	1992 £000
The chairman	Nil	Nil
The highest-paid director	64	65

## 4 Directors' emoluments - continued

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1993 Number	1992 Number
£0 to £5,000	7	9
£10,001 to £15,000	1	1
£35,001 to £40,000	1	1
£45,001 to £50,000	1	-
£50,001 to £55,000	-	1
£60,001 to £65,000	1	-
£65,001 to £70,000	-	1

## 5 Employee information

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

	1993 Number	1992 Number
By product group		
Traffic	310	244
Engineering	106	96
Administration	35	30
	<hr/>	<hr/>
	451	370
	<hr/>	<hr/>
	1993	1992
	£'000	£'000
Staff costs (for the above persons):		
Wages and salaries	6,718	5,629
Social security costs	538	459
Other pension costs (see note 22)	249	186
	<hr/>	<hr/>
	7,525	6,274
	<hr/>	<hr/>

## 6 Exceptional charge

	1993 £'000	1992 £'000
Provision for ongoing restructuring	65	63
Additional provision for future pension liabilities	120	90
	<u>185</u>	<u>153</u>

## 7 Interest payable and similar charges

	1993 £'000	1992 £'000
On loan repayable wholly or partly in more than 5 years:	128	128
On finance leases	38	20
	<u>166</u>	<u>148</u>

## 8 Profit on ordinary activities before taxation

	1993 £'000	1992 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	862	853
Tangible fixed assets held under finance leases	61	18
Auditors' remuneration for audit	16	14
Hire of plant and machinery - operating leases	28	21
Loss on disposal of fixed assets	-	1
	<u>967</u>	<u>907</u>
And after crediting:		
Profit on disposal of fixed assets	11	-
	<u>978</u>	<u>907</u>

Remuneration of the company's auditors for the provision of non-audit services was £16,500. This includes taxation compliance and advisory fees of £14,500.

9 Taxation

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

	1993	1992
£000		
317	250	137
(48)	208	-
519	345	

United Kingdom corporation tax at 33%  
Under provision in respect of prior years:  
Deferred taxation

The tax provision for prior years arose from the sale of a business property during the year to 31 March 1991. £161,000 arose from a claim to rollover relief on chargeable gains, previously anticipated, not being pursued.

10 Dividends

	1993	1992
£000		
225	300	

Ordinary:  
Interim paid of 5.7p per share (1992: 7.5p per share)  
Fixed asset investments

On 31 January 1992 the company acquired the whole of the issued share capital of the following dormant companies from its shareholder for no consideration;  
Reading Rovers Limited  
Reading Minibuses Limited  
Reading Buses Limited  
Newbury Buses limited  
Reading Goldline Limited

All of these companies are registered in England and Wales.

At 31 March 1993 these companies had combined net assets of £500.

## 12 Tangible fixed assets

	Freehold land and buildings £'000	Bus and coaches £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 April 1992	1,344	5,267	1,057	7,668
Additions	-	919	341	1,260
Disposals	-	(30)	(38)	(68)
At 31 March 1993	1,344	6,156	1,360	8,860
Depreciation				
At 1 April 1992	149	2,775	516	3,440
Charge for year	29	731	163	923
Eliminated in respect of disposals	-	(17)	(35)	(52)
At 31 March 1993	178	3,489	644	4,311
Net book value				
At 31 March 1993	1,166	2,667	716	4,549
Net book value				
At 31 March 1992	1,195	2,492	541	4,228

The net book value of tangible fixed assets includes an amount of £257,000 (1992: £55,000) in respect of assets held under finance leases.

## 13 Stocks

	1993 £'000	1992 £'000
Spare parts and consumables	223	158
Work in progress	2	1
	<u>225</u>	<u>159</u>



# Reading Transport Limited

## 14 Debtors

1993	1992
£000	£000
305	145
23	59
-	140
208	103
229	158
765	605

Amounts falling due within one year

Trade debtors

Amounts owed by Reading Borough Council

Corporation tax

Other debtors

Prepayments and accrued income

## 15 Creditors: amounts falling due within one year

1993	1992
£000	£000
405	262
215	77
313	-
219	180
502	427
381	388
2,035	1,334

Trade creditors

Obligations under finance leases

Corporation tax

Payable 31 December 1993

Other taxation and social security

Other creditors

Accruals and deferred income

## 16 Creditors: amounts falling due after one year

1993	1992
£000	£000
1,165	1,165
111	84
3	4
1,279	1,253

Long term loan due to Reading Borough Council (see note below)

Obligations under finance leases:

Payable in two to five years

Accruals and deferred income

The long term loan which is repayable in the year 2011 or earlier at the company's discretion, carries interest at 11% per annum.

The long term loan is secured by a floating charge over the assets of Reading Transport Limited.

17 Provisions for liabilities and charges

	Provision for uninsured claims	Provision for reorganisation costs	Provision for reorganisation costs
Balance at 1 April 1992	118	152	152
Profit and loss account	227	185	185
Utilised	(65)	(60)	(60)
Balance at 31 March 1993	280	277	277
	£000	£000	£000
	Provision for uninsured claims	Provision for reorganisation costs	Provision for reorganisation costs
Total	557	557	557

18 Deferred taxation

The deferred taxation asset included in the financial statements, and the amount unprovided are as follows:

	Amount provided (asset)	Amount unprovided liability	
1993	£000	1993	£000
1992	£000	1992	£000
Tax effect of timing differences because of:			
Excess of tax allowances over depreciation	(87)	161	113
Other	(39)	161	113
	(126)	322	226

19 Called-up share capital

Authorised	3,974,000 ordinary shares of £1 each	3,974	1993	£000
3,974,000 ordinary shares of £1 each		3,974	1992	£000
3,974,000 ordinary shares of £1 each		3,974	1992	£000
3,974,000 ordinary shares of £1 each		3,974	1992	£000

3,974,000 ordinary shares of £1 each

3,974,000 ordinary shares of £1 each

3,974,000 ordinary shares of £1 each

20 Acquisition

On 11 August 1992 the company acquired the Reading and Newbury operations from the Berks, Bucks Bus Company Limited. The consideration of £700,000 was paid in cash.

As a result of the acquisition turnover has increased by £1,836,000, the number employed has increased by 132 and the number of buses operated has increased by 56.

The following table shows what adjustments were made to the assets purchased from the Bee Line to arrive at a fair value of those assets to the company.

Fair value table

	Book value	Accounting alignment policy	Write off of insignificant assets	Fair value to the company
	£'000	£'000	£'000	£'000
<b>Assets</b>				
<b>Vehicles</b>				
- owned	85	(56)	-	29
- leased	375	(134)	-	241
<b>Plant and machinery</b>				
- owned	43	-	(9)	34
- leased	39	-	(18)	21
<b>Liabilities</b>				
<b>Obligations under finance leases</b>				
334	542	(190)	(27)	325
<b>Net (liabilities)</b>				
208	334	(190)	-	334
<b>Goodwill</b>				
751				
<b>Cost of acquisition</b>				
Consideration paid in cash				700
Acquisition expenses				42
				742

Fixed assets require an accounting policy alignment to adjust book values as if the assets had been originally purchased by the company and depreciated accordingly.

21 Capital commitments

	1993	1992
Capital expenditure that has been contracted for but has not been provided for in the financial statements	415	394
Capital expenditure that has been approved by the directors but has not yet been contracted for	-	55
Approved expenditure outstanding	415	449

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

(2) Reading Transport Staff Retirement Scheme.

The latest formal actuarial valuation of the scheme was carried out as at 1 July 1991 using the "attained age" method. The main actuarial assumptions used were:

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

(b) Local Government Superannuation Scheme

The latest formal actuarial valuation of the scheme was carried out as at 31 March 1989 using the "attained age" method. The main actuarial assumptions used were:

Rate of return on investments	9.0% per annum
Salary inflation	7.0% per annum plus an allowance for promotion increases
Rate of pension increases	5.0% per annum

At the date of the actuarial valuation the actuarial value of the assets of the scheme were approximately 30% higher than the actuarial value of the benefits accrued after allowing for expected future salary and pension increases.

The pension charge for the year was £248,704 (1992: £185,972).

## 23 Financial commitments

At 31 March 1993 the company had annual commitments under non-cancellable operating leases as follows:

	1993		1992	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Expiring between one and five years inclusive	50	20	-	15
Expiring in over five years	129	-	115	-
	<u>179</u>	<u>20</u>	<u>115</u>	<u>15</u>

## 24 Reconciliation of operating profit to net cash inflow from operating activities

	1993 £'000	1992 £'000
Operating profit	776	510
Depreciation on tangible fixed assets	923	871
Profit on sale of fixed assets	(11)	1
(Increase)/decrease in stocks	(66)	46
(Increase)/decrease in trade debtors	(160)	(61)
(Increase)/decrease in other debtors	(105)	821
(Increase)/decrease in amounts owed by RBC	36	24
(Increase)/decrease in prepayments and accrued income	(71)	(32)
Increase/(decrease) in trade creditors	143	16
Increase in other creditors	75	120
Increase in tax and social security creditors	39	4
Increase/(decrease) in provision for liabilities and charges	287	(540)
Increase/(decrease) in accruals and deferred income	(8)	94
	<u>1,858</u>	<u>1,974</u>

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## 25 Cash and cash equivalents

	1993 £'000	1992 £'000
Changes during the year: cash at bank and in hand		
At 1 April	3,625	3,389
Net cash flow from operating activities	(140)	236
At 31 March	<u>3,485</u>	<u>3,625</u>

## 26 Ownership of company

The company is wholly owned by Reading Borough Council.