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READING TRANSPORT LIMITED

ACCOUNTS
for the period ended
31 March 1987



Coopers
& Lybrand

READING TRANSPORT LIMITED

Report of the Directors for the
period ended 31 March 1987

1 The directors present herewith, the audited accounts for the period ended 31 March 1987.

Principal activities

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

The main activities of the company are:-

- (a) the provision of local bus services within the greater Reading area;
- (b) the operation of the Goldline express service between Reading and London;
- (c) a summer excursion programme;
- (d) the provision of vehicles and drivers for private hire contracts;
- (e) the servicing and maintenance of commercial vehicles.

Review of business and future developments

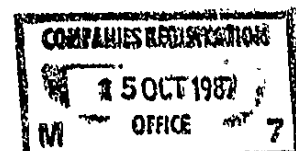
3 The company was incorporated on 27 March 1986 and commenced trading on 20 October 1986, when the company acquired the assets of the former Reading Borough Council bus undertaking from the Council, under a transfer scheme approved by the Secretary of State for Transport. The financial effects of this transaction are summarised in the statement of source and application of funds on page 7.

On 20 October 1986 the company operated the same network of routes as the Council's bus undertaking was operating prior to that date.

Both the level of business during the trading period and the year end financial position were satisfactory and the directors expect that the present level of activity will be maintained, whilst the company does not suffer from any increased competition brought about by the deregulation of the bus industry.

In the future the company intends to maintain and, where appropriate, enhance the existing network of local bus services operated by the company. Changes will continue to be made to reflect alterations in demand, and the board has approved in principle the introduction of additional and improved services.

The company will continue to seek opportunities to expand its express services, excursion programme, private hire and commercial vehicle maintenance business whenever appropriate.



Dividends

4 The directors are not recommending a dividend in respect of the period ended 31 March 1987.

Fixed assets

5 The fixed assets acquired by the company from Reading Borough Council included in the transfer scheme were valued at £5,638,000 and details of those assets and subsequent movements are set out in note 8 to the accounts. The values at which assets were acquired, were arrived at as follows:-

Freehold land and buildings	- open market valuations for existing use supplied by the district valuer.
Bus fleet	- based on bus age following the guidelines issued by the Department of Transport
Plant and machinery	- depreciated original cost

Directors

6 The directors of the company at 31 March 1987, all of whom were directors since incorporation, unless otherwise stated, were:-

A W Page	- Chairman	
R C Jenkins	- Managing Director	
W H Tee		
Mrs F M B Nash	- appointed	20 May 1986
G H Ford	- "	20 May 1986
J Banning	- "	3 July 1986
M J Gubb	- "	21 July 1986
M J Russell	- "	18 September 1986
G W Canning	- "	18 September 1986

The following directors resigned during the period:-

P W Innes	- resigned	24 April 1986
Mrs F T Day	- "	20 May 1986
G A Lowe	- "	15 July 1986

Directors' interests in shares of the company

7 None of the directors has any interest in the shares of the company.

Research and development

8 The company has not undertaken any research and development activities.

Political and charitable contributions

9 The company made no political or charitable contributions during the period.

Employees

10 The company's policy is to consult and discuss with employees, through unions, the employer/employee liaison committee and meetings, on matters likely to affect employees' interests.

To achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance, information on matters of concern is presented at briefing meetings and through the company magazine.

There is no employee share scheme.

The company's policy is to recruit disabled workers for those vacancies they are able to fill. In line with the company policy, on training for all employees, all necessary assistance is given with training to enable disabled workers to achieve their full potential.

During the year the company confirmed its policy towards equal opportunities in employment regardless of race, colour, nationality, ethnic or national origins, sex or marital status.

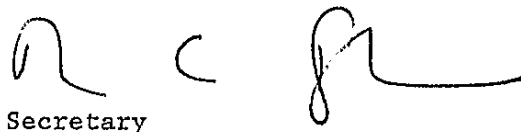
Close company provisions

11 As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1970, as amended, do not apply to the company.

Auditors

12 A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD


Secretary

Reading: 116 JUN 1987

Report of the auditors to the members of
READING TRANSPORT LIMITED

We have audited the accounts set out on pages 5 to 17 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 1987 and of its profit and source and application of funds for the period then ended and comply with the Companies Act 1985.

Coopers + Lybrand

Chartered Accountants

16 June 1987

READING TRANSPORT LIMITED
(Incorporated on 27 March 1986)

Profit and loss account for the period
 from 20 October 1986 to 31 March 1987

	<u>Notes</u>	<u>Period from 20 October 1986 to 31 March 1987</u> £
Turnover	2	3,621,456
Operating profit	3	275,870
Interest receivable and similar charges		33,534
Interest payable and similar charges:-		
Debenture interest	(57,229)	
Finance lease interest	(23,894)	
		<u>(81,123)</u>
Profit before taxation		228,281
Tax on profit on ordinary activities	7	<u>(58,900)</u>
Retained profit for the period		<u>£ 169,381</u>

The notes on pages 8 to 17 form part of these accounts.

Auditors' report page 4.

READING TRANSPORT LIMITED
(Incorporated on 27 March 1986)
Balance sheet - 31 March 1987

	Notes	<u>1987</u>	
		£	£
FIXED ASSETS			
Tangible assets	8		5,402,883
CURRENT ASSETS			
Stocks	9	231,725	
Debtors	10	263,946	
Cash at bank and in hand		667,520	
		<u>1,163,191</u>	
CREDITORS: amounts falling due within one year	11	(762,787)	
NET CURRENT ASSETS			<u>400,404</u>
Total assets less current liabilities			<u>5,803,287</u>
Less: non-current liabilities			
CREDITORS: amounts falling due after more than one year	12	(1,701,406)	
PROVISIONS FOR LIABILITIES AND CHARGES	13	(46,500)	
		<u>(1,747,906)</u>	
			<u>£ 4,055,381</u>
CAPITAL AND RESERVES			
Called up share capital	15	3,886,000	
Profit and loss account		169,381	
		<u>£ 4,055,381</u>	

Approved by the board on ...16th June..... 1987

.....)
.....)
.....) Directors
.....)
.....)

The notes on pages 8 to 17 form part of these accounts.

Auditors' report page 4.

READING TRANSPORT LIMITEDStatement of source and application of funds
for the period ended 31 March 1987

Prior to 20 October 1986 the company did not trade. On 20 October 1986 the company acquired the assets and business of the former bus undertaking of the Reading Borough Council. This transaction is summarised below:

	£	£
ASSETS ACQUIRED		
Tangible fixed assets		5,638,000
Stocks	228,230	
Debtors	117,357	
Less: creditors falling due within one year	(345,587)	
Net current assets		-
Finance lease commitments not falling due within one year		(499,000)
		<u>£5,139,000</u>
CONSIDERATION		
Issue of shares		3,886,000
Long term loans due to Reading Borough Council		1,165,000
Other long term liabilities due to Reading Borough Council		88,000
		<u>£5,139,000</u>
Source and application of funds during the period 21 October 1986 to 31 March 1987		
	£	£
SOURCE OF FUNDS		
Profit on ordinary activities before taxation		228,281
Adjustment for items not involving the movement of funds:		
Depreciation	270,120	
Increase in provisions	19,500	
		<u>289,620</u>
Total from operations		517,901
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	35,003	
Repayment of long term finance lease commitments	50,594	
		<u>(85,597)</u>
		432,304
DECREASE IN WORKING CAPITAL		
Increase in stocks	(3,495)	
Increase in debtors	(146,589)	
Increase in creditors falling due within one year, excluding taxation	385,300	
		<u>235,216</u>
Increase in cash at bank and in hand		<u>£667,520</u>

Auditors' report page 4.

READING TRANSPORT LIMITEDNotes to the accounts - 31 March 1987Principal accounting policies

1 A summary of the more important accounting policies of the company, which have been applied consistently, is set out below.

(a) Accounting convention

The accounts have been prepared under the historical cost convention;

(b) 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	25	% straight line

No depreciation is charged on freehold land. In the case of plant and machinery taken over at 20 October 1986, notional opening depreciation at 20 October 1986 has been calculated based on the age of the assets concerned;

(c) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on an average cost basis and includes transport and handling costs. 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;

READING TRANSPORT LIMITEDNotes to the accounts - 31 March 1987 - continued

(d) Turnover

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

(e) 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;

(f) Pension arrangements

Company employees at 26 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 1986. Payments are charged annually in the accounts as part of employment costs. No pension contributions are made in respect of employees who have joined the company since 26 October 1986;

(g) Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term in arriving at the operating profit. 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;

READING TRANSPORT LIMITEDNotes to the accounts - 31 March 1987 - continued(h) Accident claims

The company maintains insurance cover against third party liability claims for claims exceeding £5,000. Any claims below £5,000 or disputed by the insurers are charged to the profit and loss account in the year in which the likelihood arises that they will not be recovered.

Turnover

2 All turnover is generated within the United Kingdom.

Profit on ordinary activities before taxation

3

	<u>1987</u> £
Turnover (see note 2)	3,621,456
Raw materials and consumables	(609,399)
Other external charges	(292,602)
Staff costs (see note 6)	(2,173,465)
Depreciation	(270,120)
	<hr/>
Operating Profit	£ 275,870
	<hr/> <hr/>

Operating profit

4 Operating profit is stated after charging:-

	<u>1987</u> £
Auditors' remuneration	11,000
Hire of plant and machinery	904
Operating lease rentals for plant and machinery	1,752
Depreciation of tangible fixed assets	
Owned	242,995
Leased	27,125
Directors' emoluments (including pension contributions, see note 5)	
For fees as directors	2,854
For management services	35,155

READING TRANSPORT LIMITEDNotes to the accounts - 31 March 1987 - continuedDirectors' emoluments

5 Particulars of directors' emoluments (excluding pension contributions), disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, are as follows:-

	<u>1987</u>
Emoluments of the chairman	£ nil
Emoluments of the highest paid director	£ 16,383
Number of directors, including those above, whose emoluments were within the ranges:-	

	<u>1987</u>
£ 0 to £ 5,000	9
£ 5,001 to £10,000	2
£15,001 to £20,000	1

Employee information

- 6
- (a) The average number of persons employed by the company including executive directors during the period is analysed below:-

	<u>1987</u>
Traffic	257
Engineering	122
Administration	38
	<u>417</u>

READING TRANSPORT LIMITEDNotes to the accounts - 31 March 1987 - continuedEmployee information - continued

(b) Employment costs of all employees included above:-

	<u>1987</u> £
Aggregate gross wages and salaries	1,928,768
Employer's national insurance and state pension contributions	142,847
Employer's pension contributions under the company pension scheme	101,850
	<u>£2,173,465</u>

Tax on profit on ordinary activities

7 The tax charge is based on profit on ordinary activities for the period and comprises:-

	<u>1987</u> £
United Kingdom corporation tax at 35%	31,900
Deferred tax	27,000
	<u>£58,900</u>

The charge for the period has been reduced, as analysed below, in respect of taxation deferred which is not expected to become payable in the foreseeable future:

	<u>1987</u> £
Accelerated capital allowances	10,404
Installments on finance leases	14,596
	<u>£25,000</u>

READING TRANSPORT LIMITEDNotes to the accounts - 31 March 1987 - continuedTangible fixed assets

8

	<u>Freehold land and buildings</u> £	<u>Buses</u> £	<u>Plant and machinery</u> £	<u>Total</u> £
<u>Cost</u>				
Acquisition of bus undertaking	2,593,000	2,588,670	580,429	5,762,099
Expenditure	-	-	35,003	35,003
At 31 March 1987	<u>2,593,000</u>	<u>2,588,670</u>	<u>615,432</u>	<u>5,797,102</u>
<u>Depreciation</u>				
Acquisition of bus undertaking	-	-	124,099	124,099
Charge for period	<u>18,666</u>	<u>222,726</u>	<u>28,728</u>	<u>270,120</u>
At 31 March 1987	<u>18,666</u>	<u>222,726</u>	<u>152,827</u>	<u>394,219</u>
<u>Net book value</u>				
At 31 March 1987	<u>£2,574,334</u>	<u>£2,365,944</u>	<u>£ 462,605</u>	<u>£5,402,883</u>

Included in buses are buses capitalised under finance leases with a net book value of £233,275.

READING TRANSPORT LIMITEDNotes to the accounts - 31 March 1987 - continuedStocks

9 The amounts attributable to the different categories are as follows:-

	<u>1987</u> £
Spare parts and consumables	230,199
Work in progress	1,526
	<hr/>
	£231,725
	<hr/> <hr/>

Debtors

10

	<u>1987</u> £
Trade debtors	47,546
Amounts owed by Reading Borough Council	64,423
Other debtors	87,317
Prepayments and accrued income	64,660
	<hr/>
	£263,946
	<hr/> <hr/>

All the above amounts are due within one year of the balance sheet date.

READING TRANSPORT LIMITEDNotes to the accounts - 31 March 1987 - continuedCreditors: amounts falling due within one year

11

	<u>1987</u> £
Trade creditors	127,191
Obligations under finance leases	53,057
Amounts owed to Reading Borough Council	123,812
Other creditors	120,512
Taxation and social security (see (a) below)	149,552
Accruals and deferred income	188,663
	<hr/>
	£762,787
	<hr/>

- (a) 'Taxation and social security' includes £31,900 in respect of United Kingdom corporation tax payable.

Creditors: amounts falling due after more than one year

12

	1987 £
Long term loan due to Reading Borough Council (see note (a) below)	1,165,000
Obligations under finance leases:	
Payable in two to five years	269,259
Payable after five years	179,147
Other liabilities due to Reading Borough Council (see note (b) below)	88,000
	<hr/>
	£1,701,406
	<hr/>

- (a) The long term loan, which is repayable in the year 2011 or earlier at the company's discretion, carries interest at 11% per annum. It is the company's intention to convert this into a debenture loan which will be secured over all the assets of the company;
- (b) It is the intention of the directors that, subject to the approval of the Secretary of State for Transport under the Transport Act 1985, these liabilities will be redeemed by the issue of 88,000 ordinary shares of £1 each.

READING TRANSPORT LIMITEDNotes to the accounts - 31 March 1987 - continuedProvisions for liabilities and charges

13 Provisions for liabilities and charges is made up as follows:-

	<u>1987</u> £
Provision for uninsured claims	19,500
Deferred Tax (see note 14)	27,000
	<hr/>
	£ 46,500
	<hr/> <hr/>

Deferred taxation

14 Analysis of the provision made and the amount unprovided:-

	<u>1987</u>	<u>1987</u>
	<u>Provision</u> <u>made</u> £	<u>Amount</u> <u>unprovided</u> £
Accelerated capital allowances	24,410	10,404
Other timing differences	2,590	14,596
	<hr/>	<hr/>
	£ 27,000	£ 25,000
	<hr/> <hr/>	<hr/> <hr/>

Called up share capital

15

	<u>1987</u> £
Authorised issued and fully paid:	
3,886,000 ordinary shares of £1 each	£3,886,000
	<hr/> <hr/>

During the year the company issued 3,886,000 fully paid ordinary shares of £1 each. The consideration received for these shares was the net assets of the former bus undertaking of Reading Borough Council.

READING TRANSPORT LIMITEDNotes to the accounts - 31 March 1987 - continuedCommitments and contingent liabilities

16

(a) Capital expenditure

	<u>1987</u> £
Expenditure contracted for Approved by the directors but not yet contracted for	3,200 420,800
Approved expenditure outstanding	<u>£424,000</u>

(b) Lease commitments

The company has entered into non-cancellable operating lease arrangements in respect of plant, machinery and motor vehicles. The total annual rental payable under these leases in the next year is as follows:-

	<u>1987</u> £
Leases which expire: In the second to fifth year inclusive	6,968
	<u>£ 6,968</u>

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