

Registered no: 2004963

Reading Transport Limited
Annual report
for the year ended 31 March 1998



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Directors' report for the year ended 31 March 1998

The directors present their report and the audited financial statements for the year ended 31 March 1998.

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 operation of the London Line express service between Reading and London;
- (c) the sale of coach holidays and operation of an excursion programme;
- (d) the provision of vehicles and drivers for private hire contracts.

Review of business and future developments

The profit and loss account for the year is set out on page 6.

Trading conditions in the company's mainstream business and the year end financial position were satisfactory, reflecting the Board's policy of continuous improvement and there is an expectation that the present level of activity will be sustained for the foreseeable future.

This trading period was heavily influenced by the effects of Reading Mainline, who continue to operate a competitive bus service in Reading. The company continued its downward pressure on costs to meet the effects of competition. New services, fares initiatives, and our policy of fleet renewal all contributed to maximising the company's competitive position. In June 1998 the company acquired Reading Mainline's entire share capital (see Post Balance Sheet events).

The company strives to continue to be amongst the leaders in the bus industry. A number of major projects and schemes were either completed or started during the year. During 1997/98 the company:

- purchased 14 new Optare Lowrider Excels, winning widespread approval and increased customer patronage;
- began operation of Reading's first full time Park and Ride service;
- increased fares in Reading in October 1997 - the first for 22 months;
- worked with Reading Borough Council to minimise the effects of pedestrianisation of the east side of Broad Street in May 1997;

- continued to work on our planned relocation to a new depot. The Great Knollys Street depot was completed in mid April 1998 (see Post Balance Sheet events);
- continued to promote the NVQ programme with 167 Driving staff and 12 Engineering staff qualifying since the scheme began;
- achieved higher contributions from its private hire operations.

Dividends

No dividend was paid or proposed for the year ended 31 March 1998 (1997: £Nil).

Directors

The directors of the company at 31 March 1998, all of whom served throughout the year then ended, were:-

Mr A W Page	(Chair)
Mr C Thompson	(Managing Director)
Mr J Carney	(Financial Director and Company Secretary)
Mrs J E Orton	
Mr D Downes	
Mr I M Fenwick	
Mr R Hughes	
Mr P Shepherd	
Mr P Hingley	
Mr J Cook	
Ms L Winfield-Chislett	

The Board regrets that Mr J Cook died on 13 June 1998.

Directors' interests in shares of the company

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

Post balance sheet events

In April 1998 the company relocated its Reading operations from Mill Lane depot to Great Knollys Street depot. The equipment and design of the new depot have provided the company with a modern engineering facility and the opportunity to continue to exploit efficiencies from greater computerisation.

The company acquired the entire share capital of Reading Mainline on 1 June 1998.

Charitable and political contributions

Contributions made by the company during the year for charitable purposes amounted to £2,570 (1997: £1,543). No political contributions were made during the year.

Employees

The company through its management team has an uncompromising commitment to customer service, to involve, develop and reward our employees and to developing a culture within the company to be competitive, modern and outward looking.

In order to achieve these objectives the company is continually evolving a comprehensive communications system, including a quarterly newsletter and monthly briefing notices, to ensure that employees fully understand what is happening in the company, both in general and financial terms and that the views of our employees are taken into account when decisions are made.

The company believes that, in order to secure the future, a substantial investment is needed in training covering management and supervisory skills and customer care competencies. The company employs engineering apprentices at a time when many companies have reduced and even disbanded such schemes.

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

The company's policy is to recruit disabled workers for those vacancies they are able to fill. Should an employee become disabled it is our policy to continue the current employment when possible, or to offer alternatives where feasible, giving re-training as necessary.

Year 2000

Management are responsible for the identification and evaluation of key risks. A risk for many businesses is the impact of Year 2000. The directors recognise the reliance of modern business upon computers; system weaknesses or failures, if not addressed, could occur resulting in serious commercial consequences. To address this matter the company has formed a steering group with representatives from all its divisions to identify problems related to the year 2000. This group is concerned with both computer reliability and operational matters. The group reports via the Financial Director to the company's Board of Directors.

The company forecasts it will spend £4,925 in 1998/99 and £8,000 in 1999/2000 on making its software year 2000 compliant.

European Monetary Union

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

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

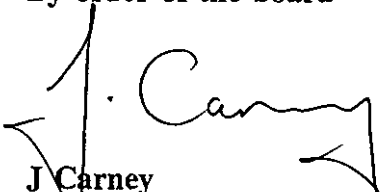
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Our auditors, Coopers & Lybrand merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board


J Carney
Company Secretary

10/9/98

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

We have audited the financial statements on pages 6 to 23 which have been prepared under the historical cost convention as modified by certain fixed assets and the accounting policies set out on pages 9 to 11.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1998 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



10th September 1998

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

Profit and loss account for the year ended 31 March 1998

	Notes	1998 £'000	1997 £'000
Turnover	2	15,115	14,525
Operating costs	3	14,886	14,390
Operating profit		229	135
Interest receivable and similar income		178	168
		407	303
Interest payable and similar charges	6	92	111
Profit on ordinary activities before taxation	7	315	192
Tax on profit on ordinary activities	8	15	130
Retained profit for the financial year	18	300	62

The above amounts all relate to continuing operations of the company.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year stated above, and their historical cost equivalents.


Statement of total recognised gains and losses

	Notes	1998 £'000	1997 £'000
Retained profit for the financial year		300	62
Unrealised surplus on revaluation of property	10	-	3,844
Total recognised gains and losses relating to the year		300	3,906

Balance sheet at 31 March 1998

	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	10	15,987	10,350
Current assets			
Stocks	11	184	215
Debtors	12	1,355	931
Cash at bank and in hand		2,061	2,526
		3,600	3,672
Creditors: amounts falling due within one year	13	6,904	1,942
Net current (liabilities)/assets		(3,304)	1,730
Total assets less current liabilities		12,683	12,080
Creditors: amounts falling due after more than one year	14	1,247	990
Provisions for liabilities and charges	15	1,021	975
		2,268	1,965
Net assets		10,415	10,115
Capital and reserves			
Called up share capital	17	3,974	3,974
Revaluation reserve	18	3,844	3,844
Profit and loss account	18	2,597	2,297
Equity shareholders' funds	19	10,415	10,115

The financial statements on pages 6 to 23 were approved by the board of directors on
and were signed on its behalf by:

 10/7/98
C Thompson
Director

Cash flow statement for the year ended 31 March 1998

	Notes	1998 £'000	1997 £'000
Net cash inflow from continuing operating activities	20	<u>6,310</u>	<u>1,883</u>
Returns on investments and servicing of finance			
Interest received		178	163
Interest paid		-	(100)
Interest paid on finance leases		<u>(76)</u>	<u>-</u>
		<u>102</u>	<u>63</u>
Taxation			
UK corporation tax paid		<u>(162)</u>	<u>(215)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(6,612)	(747)
Sale of tangible fixed assets		114	85
Sale of assets under sale & leaseback		<u>-</u>	<u>222</u>
		<u>(6,498)</u>	<u>(440)</u>
Cash (outflow)/inflow before financing		<u>(248)</u>	<u>1,291</u>
Financing			
Repayment of principal under finance leases		(217)	(147)
Repayment of long term loan		<u>-</u>	<u>(1,165)</u>
Decrease in cash in the year	21	<u><u>(465)</u></u>	<u><u>(21)</u></u>

**Notes to the financial statements
for the year ended 31 March 1998****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, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets.

Tangible fixed assets

Freehold land and buildings are stated at cost except for the directors' valuation of the Mill Lane depot. The basis of the directors' valuation is explained in note 10.

Other 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 or valuation of tangible fixed assets, less their estimated residual values, on a systematic basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:-

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.

Unconsolidated subsidiaries

In accordance with Section 229(2) 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 financial statements.

Finance and operating leases

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

Stocks

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

Turnover

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

Taxation

The charge for taxation is based on the profit for the period as adjusted for disallowable items. Provision is made for deferred tax, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Accident claims

The company maintains insurance cover against third party liability claims for the amount on each claim that exceeds £25,000 (1997: £25,000). 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 subject to an annual aggregated maximum charge.

Pension costs

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

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

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

The company provides no other post retirement benefits to its employees.

2 Turnover

All turnover is generated within the United Kingdom from bus operations.

3 Operating costs

	1998 £'000	1997 £'000
Raw materials and consumables	2,447	2,433
Other external charges	1,621	1,556
Staff costs (see note 5)	9,338	9,038
Depreciation	1,480	1,363
Operating costs	<u>14,886</u>	<u>14,390</u>

4 Directors' emoluments

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

	1998 £'000	1997 £'000
Aggregate emoluments	177	166
	<u> </u>	<u> </u>

Retirement benefits are accruing to 4 directors under a defined benefit scheme.

5 Employee information

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

	1998 Number	1997 Number
By product group		
Traffic	390	387
Engineering	92	92
Administration	38	34
	<u> </u>	<u> </u>
	520	513
	<u> </u>	<u> </u>
	1998	1997
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	8,269	8,002
Social security costs	744	735
Other pension costs (see note 27)	325	301
	<u> </u>	<u> </u>
	9,338	9,038
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	1998 £'000	1997 £'000
On loan repaid within the year	-	100
On finance leases	92	11
	<u> </u>	<u> </u>
	92	111
	<u> </u>	<u> </u>

7 Profit on ordinary activities before taxation

	1998 £'000	1997 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	1,083	1,292
Tangible fixed assets held under finance leases	397	71
Auditors' remuneration for audit	19	20
Operating leases - plant & machinery	25	25
- other	-	145
	<u> </u>	<u> </u>
And after crediting:		
Net profit on disposal of tangible fixed assets	75	7
	<u> </u>	<u> </u>

Remuneration of the company's auditors for the provision of non-audit services was £16,645 (1997: £34,700). This includes taxation compliance and advisory fees of £13,705 (1997: £31,875).

8 Taxation

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

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997: 33%)		
Current	5	152
(Over)/under provision in respect of prior years:		
Current	10	(22)
	<u> </u>	<u> </u>
	15	130
	<u> </u>	<u> </u>

The taxation charge for the year has been reduced by £90,000 (1997: increased by £59,000) in respect of the increase in the excess of tax allowances over depreciation and other timing differences in the year on which, in accordance with the company's accounting policy, no deferred taxation has been provided.

9 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 Great Britain.

At 31 March 1998 these companies had combined net assets of £500.

10 Tangible fixed assets

	Freehold land and buildings £'000	Buses and coaches £'000	Plant and machinery £'000	Capital work in progress £'000	Total £'000
Cost or valuation					
At 1 April 1997	5,623	11,287	1,664	515	19,089
Additions	-	1,706	54	5,396	7,156
Disposals	-	(470)	(30)	-	(500)
At 31 March 1998	5,623	12,523	1,688	5,911	25,745
Depreciation					
At 1 April 1997	331	7,203	1,205	-	8,739
Charge for year	36	1,270	174	-	1,480
Eliminated in respect of disposals	-	(432)	(29)	-	(461)
At 31 March 1998	367	8,041	1,350	-	9,758
Net book value					
At 31 March 1998	5,256	4,482	338	5,911	15,987
Net book value					
At 31 March 1997	5,292	4,084	459	515	10,350

The net book value of tangible fixed assets includes an amount of £1,229,600 (1997: £1,067,600) in respect of assets held under finance leases.

Included in plant and machinery is £203,000 in respect of ticket machines gifted to the company by Berkshire County Council in the year ended 31 March 1995. Related costs of installation and maintenance have been incurred and will be in future years. These assets have a net book value of £40,600 at the year end.

Depot relocation

In December 1996 the company signed a contract obliging it to build a new depot and relocate contingent on the receipt of a notice from the developer of the Oracle retail development.

In the 1996/97 financial statements, the freehold land value of the Mill Lane depot was revalued to the expected net proceeds of the transaction. This was a reflection of the directors anticipating an unconditional notice to transfer the Mill Lane depot. The unconditional notice to proceed in accordance with the contract was received in April 1997.

During the 1997/98 year, work was performed on the construction of a new depot at Great Knollys Street. The work was financed predominately by the Oracle Shopping Company Ltd (OSCL).

The relocation to Great Knollys Street was made in April 1998. The site was not ready for operational use at the March year end.

This has had the following effects in the financial statements:

- Mill Lane depot continuing to be included under freehold land and buildings;
- Great Knollys Street depot included within capital work in progress:

	£'000
Work incurred in 1996/97	515
Additional work in 1997/98	5,347

The remaining capital work in progress additions relate to other assets not directly linked to the construction of the Great Knollys Street depot;

- Other creditors:

	£'000
Financing received from OSCL in respect of Great Knollys Street depot being payments received in advance for the sale of Mill Lane	4,859

- The company has contributed £1,003,000 to construction of the new depot.

If land and buildings had not been revalued they would have been included at the following amounts:

	Land and buildings £'000
Cost	1,779
Aggregate depreciation based on cost	368
Net book valued based on cost	<u>1,411</u>

Depreciation has not been charged on freehold land, which is stated at its revalued amount of £4,688,545 (1997: £4,688,545).

11 Stocks

	1998 £'000	1997 £'000
Spare parts and consumables	183	213
Work in progress	1	2
	<u>184</u>	<u>215</u>

12 Debtors

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Trade debtors	337	311
Amounts owed by group undertakings	-	5
Other debtors	762	307
Prepayments and accrued income	256	308
	<u>1,355</u>	<u>931</u>

Other debtors at 31 March 1998 include a loan to 2 directors:

Mr J Carney, £9,388 (1997: £12,008), the loan attracting interest at 4.6% p.a. with the maximum amount outstanding during the year of £12,008 (1997: £14,600).

Mr C Thompson, £3,699 (1997: £nil) attracting interest at 4.8% p.a. with the maximum amount outstanding during the year of £4,932.

13 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	333	279
Amounts owed to group undertakings	2	-
Obligations under finance leases	127	81
Corporation tax	5	152
Other taxation and social security	217	214
Other creditors	5,620	705
Accruals and deferred income	600	511
	<u>6,904</u>	<u>1,942</u>

Included within other creditors is £4,859,000 (1997: £307,000) being payments received in advance for the post year end sale of the Mill Lane depot.

14 Creditors: amounts falling due after more than one year

	1998 £'000	1997 £'000
Obligations under finance leases	1,207	911
Other creditors	-	41
Accruals and deferred income	40	38
	<u>1,247</u>	<u>990</u>

Finance leases

The net finance lease obligations to which the company is committed are:

	1998 £'000	1997 £'000
In one year or less	127	81
Between one and two years	144	87
Between two and five years	455	297
Over five years	608	527
	<u>1,334</u>	<u>992</u>

The total value of leases repayable by instalments, any part of which falls due after more than 5 years, is £1,334,000 (1997: £992,000).

15 Provisions for liabilities and charges

	Dilapidations	Pensions	Uninsured claims	Total
	£'000	£'000	£'000	£'000
At 1 April 1997	68	360	547	975
Profit and loss account	(68)	40	312	284
Utilised	-	-	(238)	(238)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 1998	-	400	621	1,021
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The pensions provision relates to an estimate of the increased liability of additional benefits provided for certain past employees.

16 Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability are as follows:

	Amount provided		Amount unprovided	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	-	-	328	260
Other	-	-	(118)	(140)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	-	210	120
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Roll-over relief will be available on the sale of the Mill Lane property (see note 10), which is stated at a valuation in the balance sheet, against the purchase of the new depot. In view of the company's policy of continued ownership of such assets, it would be necessary to replace them by purchasing similar property. The revalued amounts do not constitute timing differences as defined by SSAP15 and the potential amount of deferred tax if they were to be disposed of has therefore not been quantified.

17 Called up share capital

	1998 £'000	1997 £'000
Authorised		
3,974,000 ordinary shares of £1 each	3,974	3,974
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
3,974,000 ordinary shares of £1 each	3,974	3,974
	<u> </u>	<u> </u>

18 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 April 1997	3,844	2,297
Retained profit for the financial year	-	300
	<u> </u>	<u> </u>
At 31 March 1998	3,844	2,597
	<u> </u>	<u> </u>

19 Reconciliation of movements in shareholders' funds

	1998 £'000	1997 £'000
Retained profit for the financial year	300	62
Other recognised gains and losses relating to the year	-	3,844
	<u> </u>	<u> </u>
Net additions to shareholders' funds	300	3,906
Opening shareholders' funds	10,115	6,209
	<u> </u>	<u> </u>
Closing shareholders' funds	10,415	10,115
	<u> </u>	<u> </u>

20 Reconciliation of operating profit to net cash inflow from operating activities

	1998 £'000	1997 £'000
Continuing operating activities		
Operating profit	229	135
Depreciation on tangible fixed assets	1,480	1,363
Profit on sale of fixed assets	(75)	(7)
Decrease in stocks	31	8
Increase in trade debtors	(26)	(16)
(Increase)/decrease in other debtors	(455)	168
Decrease in amounts owed by group undertakings	7	10
Decrease/(increase) in prepayments and accrued income	52	(45)
Increase/(decrease) in trade creditors	54	(354)
Increase in other creditors	4,873	462
Increase/(decrease) in other tax and social security creditors	3	(2)
Increase in provision for liabilities and charges	46	172
Increase/(decrease) in accruals and deferred income	91	(11)
Net cash inflow from continuing operating activities	6,310	1,883

21 Reconciliation of net cash flow to movement in net funds

	1998 £'000	1997 £'000
Decrease in cash in year	(465)	(21)
Cash outflow from decrease in debt	217	1,312
Change in net funds resulting from cash flows	(248)	1,291
New finance lease	(544)	(1,139)
Net funds at 1 April	1,534	1,382
Net funds at 31 March	742	1,534

22 Analysis of net funds

	At 1 April 1997 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 1998 £'000
Cash at bank and in hand	2,526	(465)	-	2,061
Finance leases	(992)	217	(544)	(1,319)
	<u>1,534</u>	<u>(248)</u>	<u>(544)</u>	<u>742</u>

23 Major non cash transactions

During the year the company entered into a finance lease arrangement in respect of fixed assets with a total capital value at the inception of the lease of £542,207.

24 Capital commitments

	1998 £'000	1997 £'000
Future capital expenditure		
Contracted but not provided for	124	577
	<u> </u>	<u> </u>

25 Post balance sheet events

As detailed in the directors' report and note 10 in April 1998 the company relocated its Reading operations from Mill Lane depot to Great Knollys Street depot.

In June 1998 the company acquired Reading Mainline. The company paid £250,000 for the share capital of Reading Mainline, and took responsibility for £450,000 of its liabilities.

26 Financial commitments

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Expiring between two and five years inclusive	-	25	-	25
Expiring in over five years	-	-	145	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	25	145	25
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

27 Pension and similar obligations

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

(a) Reading Transport Staff Retirement Scheme

The latest independent actuarial valuation of the scheme was carried out as at 1 July 1997 using the "Projected Unit" method. The main actuarial assumptions used were:

Rate of return on investments (pre retirement)	8.5% p.a.
Rate of return on investments (post retirement)	8.0% p.a.
Salary inflation	6.0% p.a.
Pension increases (pre 97 service)	3.0% p.a.
Pension increases (post 97 service)	3.5% p.a.

At the date of the actuarial valuation the market value of the assets was £3,266,904. The actuarial value of these assets represented 101% of the value of benefits accrued to members up to the valuation date after allowing for future salary and pension increases.

(b) Local Government Superannuation Scheme

The latest independent actuarial valuation of the scheme was carried out as at 31 March 1995. For the purposes of determining the pension cost in respect of the company the Attained Age Method was used. The main actuarial assumptions used were:

Rate of return on investments	9.0% p.a.
Salary inflation	6.5% p.a.
Rate of pension increases	4.5% p.a.
Rate of dividend growth	4.5% p.a.

At the date of the actuarial valuation the market value of the assets held for all members of all the participating employers was £526 million. The actuarial value of the assets of the scheme was approximately 15% higher than the actuarial value of the benefits accrued after allowing for expected future salary and pension increases. Following discussion with the actuary, it is not anticipated that the 1997 budget changes to the recovery of tax credit on dividends received by the scheme will reduce the scheme surplus significantly.

The pension charge for the year was £325,256 (1997: £300,600).

28 Controlling party and related party transactions

The company is wholly owned by Reading Borough Council, which is the company's ultimate controlling party.

During the course of the year the company has traded with its parent. The company has received income of £2,024,000 (1997: £2,227,000) for the provision of bus services and £178,000 (1997: £168,000) as interest receivable on funds loaned. In addition the company paid its parent £68,304 (1997: £89,000) for marketing services and owed £46,765 for work paid for during construction of the Great Knollys Street site.