

Reading Transport Limited

Report and Financial Statements

Year Ended

3 October 2010

Company Number 2004963

Reading Transport Limited

Report and financial statements for the year ended 3 October 2010

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Directors

Mr D Sutton	Councillor W Swaine
Mr J Freeman	Councillor M Townend
Mr K Moffatt	Ms C Anscombe
Mr F Connelly	Mrs J Gavaghan
Mr D M Downes	Mr T Harris
Mr G Chambers	

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 3 October 2010

The directors present their report together with the audited financial statements for the year ended 3 October 2010.

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 (2009 - £Nil) and the directors do not recommend the payment of a final dividend (2009 - £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 once again been a challenging trading year for Reading Transport Limited (RTL). Although the company returned a small operating profit, trading conditions remained difficult with suppressed passenger numbers across the majority of routes. Notwithstanding this, trading was in line with the expectations set at the start of what was always recognised to be a tough year.

A number of changes were made to the Board of the company during the year. The Finance Director and Operations Director both resigned in November 2009. A Human Resources Director and Performance Director joined the Board from December 2009 (appointed from within the company) and a new Finance Director was recruited from April 2010. In September 2010, the Chairman resigned at the end of his term of office as a non-executive Director. A new Chairman was appointed from the existing Board and a new non-executive Director was appointed.

The programme of management action that commenced in 2008/09 continued to be implemented during 2009/10.

In January 2010, revised routes and timetables were launched in a number of areas, reducing expenditure considerably. The impact was most noticeable in the Woodley area, where the existing long double loop (63/64) services were replaced with three smaller loop services (12/13/14) that shortened the journey times for a number of users travelling in and out of the town centre.

In April 2010, RTL launched its revised ticketing structure under the "simplyBus" branding. This simplified the offer, removing the area-based travelcards and reducing the price of the Reading Urban Area and Network travelcards. Although the removal of area travelcards meant increases for some passengers, the adult single fare remained at £1.70 meaning that a significant proportion of users experienced no change.

During the summer of 2010, a "step-down" timetable was introduced on a number of routes. With a reduction in passenger numbers during the school holidays, frequencies can be reduced without dramatically affecting the service. This achieved a small but nonetheless worthwhile saving and with the experience of how this worked we will look to repeat the exercise this year.

The fleet of Bio-ethanol powered buses were converted to diesel operation and have been running very successfully in their new format. Fuel savings from this were considerable and more than covered the engineering costs of the conversion within the year.

Despite the move away from Bio-ethanol, RTL remains committed to supporting sustainable transport options and has been successful in winning Government support for the purchase of Hybrid Drive double decker buses.

Reading Transport Limited

Report of the directors for the year ended 3 October 2010 (*continued*)

Review of business and future developments (*continued*)

The orders for the first six (out of thirty) hybrid buses were placed in the Spring of 2010, with the buses successfully commencing operation in December 2010. These vehicles use over 20% less fuel and will have a significant impact on both operating costs and the level of emissions.

Looking ahead to 2010/11 and beyond, a budget has been set with the aim of achieving steadily increasing profits and building on what is now a very stable cost base. Network coverage is very well balanced and as passenger numbers start to grow again the business is well placed to generate high marginal profits from the increase in turnover. Further revisions to the fare structure are not planned in 2010/11, giving our customers an assurance that bus travel will remain the cheapest and easiest form of transport in the town. During 2011, significant investment will be made to replace the existing ticket machines, improving both functionality and reliability. A number of network changes are planned with the aim of increasing both the frequency and reliability of various services, thus improving our customer offering still further.

The two defined benefit pension schemes continue to be a source of balance sheet volatility. Movements in corporate bond yields and long-term inflation expectations can lead to large fluctuations in the pension scheme liability provisions. RTL continues to make regular deficit payments into the scheme in line with the recovery plan agreed by the Trustees and the Scheme Actuary. The following table reconciles the profit before taxation shown in the company's management accounts to the loss before taxation in these financial statements:

	£'000
Profit before taxation per management accounts	24
Reclassification of pension scheme contributions to balance sheet	1,782
Current service cost	(1,463)
Interest on pension scheme obligations	(3,077)
Expected return on pension scheme assets	2,061
	<hr/>
Loss on ordinary activities before taxation shown in the financial statements	(673)
	<hr/>

The RTL Defined Benefit scheme was closed to new entrants from April 2010, remaining open for existing members. A new Defined Contribution scheme was opened at the same time to ensure that employees continued to have the option of contributing to a pension scheme. There is no immediate impact on the funding position of the scheme and the next Actuarial Review of the RTL scheme is due in 2011.

RTL continues to be recognised at a national level and during 2009/10 was shortlisted for the following awards:

- routeONE 2009: Operator Training Award – *Winner*
- routeONE 2009: Large Bus Operator of the Year – *Highly Commended*
- UK Bus Awards 2009: Engineer of the Year (Keith Ward) – *Highly Commended*
- UK Bus Awards 2009: Bus in the Countryside (Vitality) – *Highly Commended*

Conclusion

Following the difficulties of the previous year, RTL has stabilised its operations and gained a greater degree of control over its cost base. This has resulted in the achievement of a small operating profit for the year and sets the course for a steadily improving performance over the next five years.

Reading Transport Limited

Report of the directors for the year ended 3 October 2010 (*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	2009/10	2008/9
No of PSVs	157	182
Approximate Fleet Age	4.5 years	4 years
Turnover/vehicle	£162,873	£143,939
Turnover/employee	£51,800	£48,100
Wage cost as a % of turnover	61%	62%
Fuel Cost as a % of turnover	9.9%	10.3%
Depreciation as a % of turnover	9.5%	10%
Percentage of fleet conforming to Euro III emission standard or above	88%	90%

Difference between market value and book value of land and buildings

In the opinion of the Directors' the written down values of the land and buildings are not materially different from the market values of those assets

Charitable and political contributions

Contributions made by the company during the year for charitable purposes amounted to £577 (2009 - £1,208). No political contributions were made during the year.

Reading Transport Limited

Report of the directors for the year ended 3 October 2010 (*continued*)

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 during the year ended 3 October 2010, all of whom, unless stated, served throughout the year then ended, were:

Mr D Sutton (Chair)
Mr J Freeman (Chief Executive Officer)
Mr J Carney (resigned 30 November 2009)
Mr S Simpson (resigned 30 November 2009)
Mr D M Downes
Councillor W Swaine
Councillor M Townend
Mr F Connelly
Mr K Moffatt
Mr S Singleton-White (retired 23 September 2010)
Mr G Chambers (appointed 12 April 2010)
Ms C Anscombe (appointed 1 December 2009)
Mrs J Cavaghan (appointed 1 December 2009)
Mr T Harris (appointed 23 September 2010)

At 3 October 2010, 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 3 October 2010 (*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

Date 17 February 2011

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 3 October 2010 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 3 October 2010 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.

Christopher Poole, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom

Date

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 3 October 2010

	Note	2010 £'000	2009 £'000
Turnover	2	25,571	26,197
Operating costs	3	(24,696)	(26,432)
Operating profit/(loss)	6	875	(235)
Profit on disposal of fixed assets		88	126
		963	(109)
Interest receivable and similar income		11	26
Interest payable and similar charges	7	(631)	(754)
Profit/(loss) on ordinary activities before taxation and other finance costs		343	(837)
Other finance costs	8	(1,016)	(614)
Loss on ordinary activities before taxation		(673)	(1,451)
Taxation on loss from ordinary activities	9	139	555
Loss on ordinary activities after taxation		(534)	(896)

All amounts relate to continuing activities.

The notes on pages 13 to 31 form part of these financial statements

Reading Transport Limited

Statement of total recognised gains and losses for the year ended 3 October 2010

	Note	2010 £'000	2009 £'000
Loss for the year		(534)	(896)
Actuarial gains/(losses) on defined benefit pension scheme	23	5,512	(17,511)
Deferred tax on pension scheme liability – origination and reversal of timing differences		(1,083)	3,338
– changes in tax rates		(250)	-
Total recognised gains and losses for the year		<u>3,645</u>	<u>(15,069)</u>

The notes on pages 13 to 31 form part of these financial statements

Reading Transport Limited

Balance sheet
at 3 October 2010

Company number 2004963	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed assets					
Tangible assets	10		18,423		20,560
Investments	11		96		96
			<hr/>		<hr/>
			18,519		20,656
Current assets					
Stocks	12	212		238	
Debtors	13	2,292		2,680	
Cash at bank and in hand		4,337		1,780	
		<hr/>		<hr/>	
		6,841		4,698	
Creditors: amounts falling due within one year	14	(3,865)		(4,204)	
		<hr/>		<hr/>	
Net current assets			2,976		494
			<hr/>		<hr/>
Total assets less current liabilities			21,495		21,150
Creditors: amounts falling due after more than one year	15	(11,797)		(11,558)	
Provision for liabilities and charges	16	(754)		(771)	
		<hr/>		<hr/>	
			(12,551)		(12,329)
			<hr/>		<hr/>
Net assets excluding pension liability			8,944		8,821
Pension liability	23		(16,235)		(19,757)
			<hr/>		<hr/>
Net liabilities including pension liability			(7,291)		(10,936)
			<hr/>		<hr/>

The notes on pages 13 to 31 form part of these financial statements

Reading Transport Limited

Balance sheet
at 3 October 2010 (continued)

Company number 2004963	Note	2010 £'000	2009 £'000
Capital and reserves			
Called up share capital	18	3,974	3,974
Profit and loss account	19	(11,265)	(14,910)
		<hr/>	<hr/>
Equity shareholder's deficit	20	(7,291)	(10,936)
		<hr/>	<hr/>

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



Mr J Freeman
Director



Mr D Sutton
Director

The notes on pages 13 to 31 form part of these financial statements

Reading Transport Limited

Cash flow statement for the year ended 3 October 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Net cash inflow from operating activities	25		2,841		607
Returns on investments and servicing of finance					
Interest received		11		26	
Loan interest paid		(156)		(202)	
Interest element of finance lease rental payments		(475)		(552)	
			(620)		(728)
Taxation					
UK corporation tax			-		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(967)		(209)	
Sale of tangible fixed assets		738		389	
			(229)		180
Cash inflow before use of liquid resources and financing			1,992		59
Financing					
Capital element of finance lease rental payments		(1,249)		(1,407)	
Loan repayments		(404)		(295)	
Grants received		2,218		-	
			565		(1,702)
Increase/(decrease) in cash	26,27		2,557		(1,643)

The notes on pages 13 to 31 form part of these financial statements

Reading Transport Limited

Notes forming part of the financial statements for the year ended 3 October 2010

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.

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 3 October 2010 (*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 3 October 2010 (*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 also operates a defined contribution pension scheme for the benefit of employees. The pension costs charged against profits relating to this scheme represent the amount of contributions payable to the scheme in respect of the accounting period.

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 3 October 2010 *(Continued)*

3 Operating costs

	2010 £'000	2009 £'000
Raw materials and consumables	3,193	3,570
Other external charges	3,552	4,019
Staff costs (see note 4)	15,497	16,200
Depreciation	2,454	2,643
	<u>24,696</u>	<u>26,432</u>

4 Employees

	2010 £'000	2009 £'000
Staff costs consist of:		
Wages and salaries	12,932	14,287
Social security costs	1,102	1,208
Other pension costs	1,463	705
	<u>15,497</u>	<u>16,200</u>

	2010 £'000	2009 £'000
Analysis of the amount that has been charged to operating profit:		
Current service cost	<u>1,463</u>	<u>705</u>

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (Continued)

4 Employees (Continued)

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

	2010 Number	2009 Number
Traffic	379	416
Engineering	73	78
Administration	42	51
	<u>494</u>	<u>545</u>

5 Directors

	2010 £'000	2009 £'000
Directors' emoluments consist of:		
Fees and remuneration for management services	360	408
Compensation for loss of office	-	41
	<u>360</u>	<u>449</u>

The highest paid directors in 2010 and 2009 were different members of the company's Board of Directors. The emoluments of these directors was as follows:

Emoluments	<u>122</u>	<u>134</u>
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There were 3 directors in the company's defined benefit pension schemes during the year (2009 – 4).

The highest paid directors referred to above are members of one of the defined benefit schemes. The highest paid director in 2010 had an accrued pension at the year end of £3,435 or a reduced pension of £2,327 and an accrued lump sum of £15,513. 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.

6 Operating profit/(loss)

	2010 £'000	2009 £'000
This has been arrived at after charging/(crediting):		
Depreciation	2,454	2,643
Hire of plant and machinery - operating leases	151	182
Grants receivable	(117)	(93)
Auditors' remuneration	29	29
- audit	7	7
- services relating to taxation	9	14
- all other services		
	<u></u>	<u></u>

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (Continued)

7 Interest payable and similar charges

	2010 £'000	2009 £'000
Finance leases and hire purchase contracts	475	552
Loan from parent	156	202
	<u>631</u>	<u>754</u>

8 Other finance costs

	2010 £'000	2009 £'000
Expected return on pension scheme assets	(2,061)	(2,323)
Interest on pension scheme liabilities	3,077	2,937
	<u>1,016</u>	<u>614</u>

9 Taxation on loss on ordinary activities

	2010 £'000	2009 £'000
<i>Current tax-</i>		
UK corporation tax on loss of the year	-	-
	<u>-</u>	<u>-</u>
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(139)	(555)
	<u>(139)</u>	<u>(555)</u>
Taxation on loss on ordinary activities	<u>(139)</u>	<u>(555)</u>

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (Continued)

9 Taxation on loss 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:

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(673)	(1,451)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 21% (2009 - 21%)	(141)	(305)
Effect of:		
Expenses not deductible for tax purposes	58	21
Non-taxable income	(24)	(20)
Depreciation in excess of capital allowances	(39)	366
Movement in short-term timing differences	-	(81)
Net FRS 17 debit not deductible	146	18
Current tax charge for the year	-	-

Factors that may affect the future tax charge

The company has tax losses of approximately £186,000 (2009 - £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 3 October 2010 (*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 5 October 2009	435	5,431	23,175	3,660	1	32,702
Additions	-	-	46	148	773	967
Disposals	-	-	(2,113)	(9)	-	(2,122)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 3 October 2010	435	5,431	21,108	3,799	774	31,547
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
At 5 October 2009	142	1,011	8,004	2,985	-	12,142
Provided for the year	-	109	2,101	244	-	2,454
Disposals	-	-	(1,463)	(9)	-	(1,472)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 3 October 2010	142	1,120	8,642	3,220	-	13,124
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 3 October 2010	293	4,311	12,466	579	774	18,423
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 4 October 2009	293	4,420	15,171	675	1	20,560
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

The net book value of tangible fixed assets includes an amount of £8,030,546 (2009 - £9,349,181) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge for the year was £1,347,694 (2009 - £1,422,000).

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (*Continued*)

11 Fixed asset investments

	Group undertakings £'000
<i>Cost</i>	
At 5 October 2009 and 3 October 2010	208
<i>Provision for diminution in value</i>	
At 5 October 2009 and 3 October 2010	112
<i>Net book value</i>	
At 5 October 2009 and at 3 October 2010	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 3 October 2010 these companies had combined net assets of £96,000 (2009 - £96,000).

12 Stocks

	2010 £'000	2009 £'000
Spare parts and consumables	212	238

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 3 October 2010 (*Continued*)

13 Debtors

	2010 £'000	2009 £'000
Trade debtors	960	860
Amounts due from parent undertaking	211	376
Other debtors	846	1,186
Prepayments and accrued income	275	258
	<hr/>	<hr/>
	2,292	2,680
	<hr/>	<hr/>

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

14 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	542	395
Amounts owed to parent undertaking	468	632
Amounts owed to subsidiary undertakings	96	96
Other creditors	457	623
Taxation and social security	368	486
Obligations under finance leases and hire purchase contracts	1,250	1,203
Accruals	684	769
	<hr/>	<hr/>
	3,865	4,204
	<hr/>	<hr/>

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (Continued)

15 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Obligations under finance leases and hire purchase contracts	6,577	7,873
Amounts due to parent undertaking	2,603	3,027
Accruals and deferred income	2,617	658
	<u>11,797</u>	<u>11,558</u>
Obligations under finance leases are due as follows:		
In one year or less	1,250	1,203
In more than one year but not more than two years	1,322	1,272
In more than two years but not more than five years	3,829	4,165
In more than five years	1,426	2,436
	<u>7,827</u>	<u>9,076</u>

The total value of finance leases repayable by instalments, any part of which falls due after more than five years, is £5,965,925 (2009 - £7,663,418). These liabilities are repayable in instalments at rates of interest ranging between 4.65% and 6.05% and are secured on the underlying assets.

16 Provision for liabilities and charges

	Deferred tax £'000	Uninsured claims £'000	Total £'000
At 5 October 2009	138	633	771
Transferred from/(to) profit and loss account	-	(17)	(17)
	<u>138</u>	<u>616</u>	<u>754</u>
At 3 October 2010	138	616	754

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 (2009 - £20,000) per claim. It is secured by a fixed charge amounting to £550,000 (2009 - £550,000) over the company's assets.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (*Continued*)

17 Deferred taxation

	2010 Provided in accounts £'000	2009 Provided in accounts £'000
Accelerated capital allowances	197	197
Other	(20)	(20)
	<hr/>	<hr/>
	177	177
Unutilised tax losses	(39)	(39)
	<hr/>	<hr/>
	138	138
	<hr/>	<hr/>

18 Share capital

	2010 £'000	Allotted, called up and fully paid 2009 £'000
Ordinary shares of £1 each	3,974	3,974
	<hr/>	<hr/>

19 Reserves

	Profit and loss account £'000
At 5 October 2009	(14,910)
Loss for the year	(534)
Actuarial gains on defined benefit pension scheme	5,512
Deferred tax on pension scheme liability	(1,333)
	<hr/>
At 3 October 2010	(11,265)
	<hr/>

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (*Continued*)

20 Reconciliation of movement in shareholder's deficit

	2010 £'000	2009 £'000
Loss for the year	(534)	(896)
Actuarial gains/(losses) on defined benefit pension scheme	5,512	(17,511)
Deferred tax on pension scheme liability	(1,333)	3,338
	<hr/>	<hr/>
Net movement in shareholder's funds	3,645	(15,069)
Opening shareholder's (deficit)/funds	(10,936)	4,133
	<hr/>	<hr/>
Closing shareholder's deficit	(7,291)	(10,936)
	<hr/>	<hr/>

21 Capital commitments

	2010 £'000	2009 £'000
Contracted but not provided for	5,342	11
	<hr/>	<hr/>

Reading Transport Limited

Notes forming part of the financial statements for the year ended 3 October 2010 (*Continued*)

22 Commitments under operating leases

As at 3 October 2010, the company had annual commitments under non-cancellable operating leases, none of which relate to land and buildings, as set out below:

	2010 £'000	2009 £'000
Operating leases which expire:		
Within one year	90	44
Within two to five years	25	52
	<hr/>	<hr/>
	115	96
	<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. This scheme is closed to new 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.

The company also operates defined contribution pension schemes for the benefit of employees. The pension costs charged against profits relating to this scheme represent the amount of contributions payable to the scheme in respect of the accounting period.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (Continued)

23 Pension and similar obligations (Continued)

	2010 £'000	2009 £'000
<i>Reconciliation of present value of defined benefit obligations:</i>		
At the beginning of the year	60,640	42,354
Current service cost	1,463	705
Interest cost	3,077	2,937
Actuarial losses	(4,314)	16,135
Contributions	443	749
Benefits paid	(2,335)	(2,210)
Unfunded pension payments	(31)	(30)

At the end of the year	58,943	60,640
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	2010 £'000	2009 £'000
<i>Reconciliation of fair value of plan assets:</i>		
At the beginning of the year	35,631	34,557
Expected return on plan assets	2,061	2,323
Actuarial gains/(losses)	1,198	(1,376)
Contributions by company	1,683	1,618
Contributions by participants	443	749
Benefits paid	(2,366)	(2,240)

At the end of the year	38,650	35,631
------------------------	--------	--------

The company expects to contribute £1,475,000 (2009 - £1,430,000) to its defined benefit pension plans during the year ending 2 October 2011.

	2010 £'000	2009 £'000
<i>Reconciliation to balance sheet:</i>		
Present value of funded obligations	58,514	60,183
Fair value of plan assets	(38,650)	(35,631)
	19,864	24,552
Present value of unfunded obligations	429	457
Plan deficit	20,293	25,009
Related deferred tax asset	(4,058)	(5,252)
Net liability	16,235	19,757

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (*Continued*)

23 Pension and similar obligations (*Continued*)

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

	2010 £'000	2009 £'000
Reading Transport Staff Retirement Scheme	6,336	7,280
Local Government Superannuation Fund	9,899	12,477
	<hr/> 16,235	<hr/> 19,757

The amounts recognised in profit and loss are as follows:

Included in administrative expenses:

Current service cost	1,463	705
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Included in other finance costs:

Interest cost	3,077	2,937
Expected return on plan assets	(2,061)	(2,323)
	<hr/> 2,479	<hr/> 1,319

	2010 £'000	2009 £'000
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Amounts recognised in statement of total recognised gains and losses:

Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	5,512	(17,511)
	<hr/>	<hr/>
Cumulative actuarial losses recognised in the statement of total recognised gains and losses	(18,627)	(24,139)
	<hr/>	<hr/>

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

	2010 £'000	2009 £'000
Reading Transport Staff Retirement Scheme	1,285	(7,260)
Local Government Superannuation Fund	4,227	(10,251)
	<hr/> 5,512	<hr/> (17,511)

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (Continued)

23 Pension and similar obligations (Continued)

	2010 %	2009 %
<i>The major categories of plan assets as a percentage of total plan assets are as follows:</i>		
Equities	40.34	47.61
Gilts	-	1.48
Other bonds	37.87	42.21
Property	8.43	5.97
Cash	5.70	2.73
Other	7.66	-
Total plan assets	100.00	100.00

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.

	2010 £'000	2009 £'000
Actual return on plan assets	3,259	947
	2010 %	2009 %

Principal actuarial assumptions used at the balance sheet date

Discount rates	5.00	5.10
Expected rates of return on plan assets:		
Equities	6.40	6.60
Gilts	3.90	4.10
Other bonds	5.00	5.50
Property	5.00	5.40
Cash	4.10	5.00
Future salary increases	3.30	4.10
Inflation assumption (RPI)	3.30	3.60
CPI increases	2.80	-
Future pension increases – pre 1997*	3.00	3.00
Future pension increases – pre 1997 – 2006*	3.30	3.40
Future pension increases	2.50	2.90

*applicable to the Reading Transport Staff Retirement Scheme only.

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (Continued)

23 Pension and similar obligations (Continued)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
<i>Five year history</i>					
Present value of the plan liabilities	(58,943)	(60,640)	(42,354)	(46,633)	(48,638)
Fair value of the plan assets	38,650	35,631	34,557	39,073	35,318
Deficit on the pension plans	(20,293)	(25,009)	(7,797)	(7,560)	(13,320)
<i>Experience adjustments arising on:</i>					
Plan liabilities	17	(50)	1,297	(30)	(731)
Plan assets	1,198	(1,376)	(7,612)	984	1,487

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 £2,882,243 (2009 - £2,673,650) as its share of a concessionary fares scheme and received income totalling £1,417,248 under other contracts and agreements;
- the company paid £34,720 (2009 - £214,720) for marketing and other services.

During the year ended 3 October 2010, the company received a grant of £52,500 from Reading Borough Council in respect of the replacement bus shelter project.

At the year end, the company was owed £205,804 by Reading Borough Council (2009 - £192,093).

The company has two loans with Reading Borough Council. The total outstanding on these loans at the year end was £3,065,025 (2009: £3,475,016). Interest payable on these loans during the year totalled £156,108 (2009 - £201,767).

Reading Transport Limited

Notes forming part of the financial statements
for the year ended 3 October 2010 (Continued)

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

	2010 £'000	2009 £'000
Operating profit/(loss)	875	(235)
Depreciation	2,454	2,643
Adjustments relating to defined benefit pension schemes	(319)	(913)
Decrease in stocks	26	129
Decrease/(increase) in debtors	388	(827)
Decrease in creditors	(449)	(149)
(Decrease)/Increase in provisions	(17)	52
Amortisation of grant	(117)	(93)
Net cash inflow from operating activities	2,841	607

26 Reconciliation of net cash outflow to movement in net debt

	2010 £'000	2009 £'000
Increase/(decrease) in cash in the year	2,557	(1,643)
Cash outflow from debt, lease and hire purchase financing	1,653	1,702
Change in net debt resulting from cash flows	4,210	59
Other non-cash changes	-	37
Movement in net debt in the year	4,210	96
Opening net debt	(10,728)	(10,824)
Closing net debt	(6,518)	(10,728)

27 Analysis of changes in net debt

	At 5 October 2009 £'000	Cash flow £'000	Other non-cash changes £'000	At 3 October 2010 £'000
Cash in hand and at bank	1,780	2,557	-	4,337
Debt due within one year	(405)	404	(424)	(425)
Debt due after one year	(3,027)	-	424	(2,603)
Finance leases	(9,076)	1,249	-	(7,827)
	(12,508)	1,653	-	(10,855)
	(10,728)	4,210	-	(6,518)