

### 34 OTHER RESERVES

	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Total £m
At 1 January 2006	15.4	(2.2)	11.3	24.5
Hedge movements net of tax	–	(6.8)	–	(6.8)
Exchange differences, net of tax	–	–	(9.8)	(9.8)
<b>At 31 December 2006</b>	<b>15.4</b>	<b>(9.0)</b>	<b>1.5</b>	<b>7.9</b>

	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Total £m
At 31 December 2004	15.4	–	(2.1)	13.3
Adoption of IAS 39	–	(5.9)	–	(5.9)
At 1 January 2005	15.4	(5.9)	(2.1)	7.4
Hedge movements net of tax	–	3.7	–	3.7
Exchange differences, net of tax	–	–	11.9	11.9
Cumulative exchange differences of disposed operations	–	–	1.5	1.5
<b>At 31 December 2005</b>	<b>15.4</b>	<b>(2.2)</b>	<b>11.3</b>	<b>24.5</b>

The nature and purpose of the other reserves are as follows:

- the merger reserve includes the premium on shares issued to satisfy the purchase of Prism Rail PLC in 2000. The reserve is not distributable;
- the hedging reserve records the movements on designated hedging items, offset by any movements recognised directly in equity on underlying hedged items;
- the translation reserve records exchange differences arising from the translation of the accounts of foreign currency denominated subsidiaries offset by the movements on loans and derivatives used to hedge the net investment in foreign subsidiaries.

### 35 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

#### a) Summary of pension benefits and assumptions

The UK Bus and UK Coach divisions operate both funded defined benefit schemes and a defined contribution scheme. The majority of employees of the UK Train companies are members of the appropriate shared-cost section of the Railways Pension Scheme (“RPS”), a funded defined benefit scheme. The assets of all schemes are held separately from those of the Group. Contributions to the schemes are determined by independent professionally qualified actuaries.

Subsidiaries in North America contribute to a number of defined contribution plans. The Group also provides certain additional unfunded post-employment benefits to employees in North America and Spain, which are disclosed in section c) in the Other category.

The total pension cost for the year was £23.9m (2005: £27.5m), of which £3.4m (2005: £2.5m) relates to the defined contribution schemes.

The defined benefit pension liability included in the balance sheet is as follows:

	2006 £m	2005 £m
UK Bus	(17.3)	(37.8)
UK Coach	(12.7)	(14.9)
UK Train	(21.1)	(34.2)
Other	(1.7)	(1.9)
<b>Total</b>	<b>(52.8)</b>	<b>(88.8)</b>

The valuations conducted for financial reporting purposes are based on the triennial actuarial valuations. A summary of the latest triennial actuarial valuations, and assumptions made, is as follows:

	UK Bus		UK Coach	UK Train
	Tayside 31 March 2005	Travel West Midlands 31 March 2004	5 April 2004	31 December 2004
Actuarial method used	Projected unit	Attained age*	Projected unit	Projected unit
Rate of investment returns per annum	6.0%	5.6%–6.6%	5.2%–6.0%	4.8%–6.8%
Increase in earnings per annum	4.3%	4.3%	4.7%	4.3%
Scheme assets taken at market value	£34.9m	£300.7m	£25.3m	£638.9m
Funding level	89%	88%	65%	86%–95%

\*Amounts included in the income statement, statement of recognised income and expense and the balance sheet are calculated using the projected unit method.

The range of funding levels for UK Trains reflects the range of funding levels in the various sections of the RPS. The plans do not provide medical benefits.