Highlights
FOR THE YEAR TO 29 JUNE 1996

- Profit before tax up 40% to £11.9 million (1995 - £8.5 million)
- Turnover increased by 21% to £135 million (1995 - £112 million)
- Earnings per share increased by 12% to 24.6p (1995 - 21.9p)
- The Board has declared a final dividend of 3.7p making a total of 5.55p for the year, an increase of 16%
- Interest of £3.0 million covered by operating profit 4.9 times
- Gearing reduced to 240% from 327%
- 133 new buses and coaches into service

FINANCIAL CALENDAR

Annual general meeting	29 October 1996
Record date	12 November 1996
Final dividend paid	28 November 1996
Half year end	28 December 1996
Interim results announced	February 1997
Interim dividend paid	April 1997
Next financial year end	28 June 1997
Full year results announced	September 1997
Annual general meeting	October 1997
Final dividend paid	November 1997

Chairman's Statement

RESULTS

Pre-tax profits of £11.9 million compare with £8.5 million in the previous year on turnover up from £112 million to £135 million.

The operating profit (before exceptionals) of £14.1 million has increased from £12.2 million in 1995 although the operating margin has reduced to 10.5% from 10.9% as a consequence of the difficulties experienced by the Oxford company in the year. Had we not encountered those circumstances, the company's operating margin would have continued to climb.

Earnings per share have increased by 12% to 24.6p (1995 - 21.9p). The Board is recommending a final dividend of 3.7p making a total of 5.55p for the year, a 16% increase on last year.

BUS OPERATIONS

Continued investment in new equipment and restructuring of non-direct costs has fed further organic profit growth in the various subsidiary companies. Some £14 million has been invested in new capital equipment (including 133 new buses and coaches) in the year. The Group has continued to be an efficient, professional provider of urban public transport.

The London General bus company was acquired on 20 June 1996. The Group's results for next year will include a full year contribution from that acquisition.

Both London Central, the existing Go-Ahead Group subsidiary, and the new London General company have been successful in maintaining market share in the face of stiff competition from other operators. Both businesses operate predominantly south of the Thames, an area not particularly well-served by underground rail services. At the same time, both operators have major shares of bus services operating in the central London area. The Group has a very important role to play in public transport in the nation's capital.

As a frequent visitor to London, I am concerned over the ever-increasing level of private vehicle usage in the capital and the inconsiderate parking of private cars and delivery vehicles, irrespective of the consequences on other users - especially buses. In the face of this unthinking disregard for rules and personal responsibility, I am consistently impressed by the patience and forbearance of bus drivers in London. Their dedication is something of which we can be proud.

Both London Central and London General companies are continuing to operate as separate entities but accounting, administration and engineering resources are being brought under a single management.

Outside the London metropolitan area, the Group continues to make dramatic progress in the South East. The Secretary of State for Transport, Sir George Young, recently visited Brighton and saw the benefits of local management's policy of partnership with other operators and local authorities in improving public transport (and, consequently, improving the whole of the local urban environment). The Group has invested around £6.5 million in the Brighton & Hove company in the last 18 months.

The Oxford Bus Company has run a series of experimental fares and service mixes to regain and improve its market position in response to competitor pressure. Those changes were costly in the year but are now benefitting the company well in its current trading performance.

In the North East, the trials of the Monopolies and Mergers Commission inquiries have taken their toll on management time. The drive for increased efficiency continues apace but there is still much to do.

The MMC considered the Group's acquisition of OK Motor Services and has determined that the acquisition is not against the public interest despite the criticisms of the company in the earlier MMC report into bus services in the same area. In consequence we are finding it extremely difficult to agree any kind of undertakings arising from that earlier MMC report on Bus Services in the North East.

The commitment of the staff and management has continued to drive the group's success. During the year I was sorry to have to report the retirement of our Finance Director and colleague, Trevor Shears. Trevor has been with the company since its formation, and we are sorry to lose his services. Our new Finance Director, Ian Butcher, joined us in March.

RAIL

The Group has formed a joint venture with the management of Thames Trains. The joint venture is known as Victory Railway Holdings Limited. Victory has been awarded the Thames Trains franchise.

The Group has registered an interest in four other Train Operating Companies and has engaged consultants to assist in the bidding process.

STRATEGY

The Group continues to concentrate and develop its niche market of urban bus companies. The acquisition of one or more complementary rail franchises will leave the Group with an attractive portfolio of UK urban transport businesses.

The Group continues to believe in the future of public transport in the larger towns and cities of Europe. With many governments looking at deregulation and privatisation as their solution to transport funding problems, the Group foresees the emergence of some specialised pan-European public transport operators. Partnerships and structures will develop and the Group intends to participate in one or more of these.

At present, the Group is bidding for the Docklands Light Railway franchise in conjunction with the French transport company, VIA-GTI. We believe there will be many future opportunities for collaboration with our mainland European partners.

PROSPECTS

The Group continues to seek improvements to its operating margins. With the Oxford problems behind it and a larger, dynamic London business, in the medium term, the operating margin target of 15% still looks readily achievable. Trading in the current year has started well and management action plans continue to focus on the target.

Sir Michael Straker
Chairman
19 September 1996

FINANCIAL REVIEW

Trading results

Turnover growth of 21% derived from the inclusion of a full year's trading of London Central and OK Motor Services, acquired in the year to 1 July 1995. There was some decline in turnover from other continuing businesses due to the competitive situation in our Oxford operation. The impact of the acquisition of Mokett Limited, whose principal subsidiary is London General Transport Services Limited, was minimal as only 10 days of trading are included in these accounts.

Apart from Oxford, margins in all businesses progressed significantly. Dividing our operations into three sectors, distinguishing between the London regulated sector and the deregulated sectors in the north and south of England, an analysis of the year's trading, excluding the discontinued business and exceptionals, is as follows:

	1996 Turnover £million	1996 Operating Profit £million	1996 Margin %	1995 Turnover £million	1995 Operating Profit £million	1995 Margin %
Regulated	47	6.4	13.6	34	3.0	8.8
Deregulated - north	58	6.3	10.9	47	5.1	10.9
Deregulated - south	29	1.4	4.8	29	3.9	13.4
	134	14.1	10.5	110	12.0	10.9

Whilst there was some decline in group operating margin, this was entirely due to the situation in Oxford. Had Oxford achieved the same level of margin in 1996 as 1995, group operating margin would have been 12.4%. It is, therefore, pleasing to note that, since the start of the current financial year, the trading situation in Oxford is reverting to normal. As a result, we can look forward to the group's bus operations progressing towards the medium term target operating margin of 15%.

Progress of operating margin in the north was hampered by the delay of the integration of OK Motor Services, acquired in March 1995, due to the enquiry of the Monopolies and Mergers Commission. This has been favourably resolved and the integration of OK is now progressing rapidly with resultant improvements in margins.

The group's focus on urban public transport was further emphasised in the year by the disposal of trade and assets of Go-Ahead Leisure Limited, the operator of a small chain of public houses. Whilst this business was profitable, it absorbed a disproportionate amount of management time, and the sale was achieved at a modest profit of £148,000. The other exceptional item in the year was a further credit of £638,000 in respect of property rate reductions for prior years. The benefit of this negotiation has also given further cost reductions in the year and for future years. Reorganisation and redundancy costs, treated as exceptional in 1995, incurred in the north and London, have been absorbed as part of normal operating costs on materiality grounds and will also benefit margins going forward.

Overall profit before interest shows a creditable increase of 45% when compared to the 21% increase in turnover.

Interest cost

Compared to 1995 average borrowings in the year were high resulting from the effect of acquisition consideration in 1995. Interest cover remains strong however at 4.9 times. Given the positive cashflow characteristics of the group's businesses this is expected to be at least maintained in the current year despite the absorption of the finance liabilities of Mokett Limited towards the end of the year. Advantage has been taken of the low interest climate and 72% of the group's year end net borrowing was based on fixed interest rates through leasing and hire purchase arrangements.

Taxation

The rate of tax, taking the charge as a percentage of pre-tax profit, was 24%. This was due mainly to the non-provision of deferred tax on depreciation timing differences which, given the group's capital expenditure programme, are not expected to crystallise in the foreseeable future. A below normal tax charge can be anticipated for the foreseeable future.

Earnings and dividends

Earnings per share of 24.6p show a 12% increase on 1995. If the exceptional write-back of deferred tax in 1995 were to be excluded from this calculation, the increase would be 35%. The dividend per share has been increased from 4.80p to 5.55p, a 16% increase. With dividend cover at a prudent level of 4.4 times, a firm basis exists for the board to consider a progressive dividend policy in future years.

Acquisition

The details of the accounting treatment of the acquisition of Mokett Limited on 20 June 1996 are set out in Note 13 to the accounts. Fair value adjustments reflect the impact of the group's prudent accounting policies in the recognition of income and costs whilst deferred tax has been released to recognise the group's overall tax position. No provision has been made for reorganisation costs consequent upon the planned integration of certain elements of the two London bus businesses. It is intended that such costs will be absorbed within normal operating costs within the current year.

Whilst goodwill arising on the acquisition amounted to £24.5 million, this was more than offset by the share capital issued relating to the acquisition of £25.9 million, enhancing the group's overall net asset position and minimising the effect on group gearing.

Cash flow and borrowings

Cash flow from operating activities at £21.8 million is nearly double that achieved in 1995. Similarly, free cash flow after tax, dividends and interest, increased from £7.8 million to £13.7 million, a 76% increase. Capital expenditure of £14 million was mitigated by the proceeds on disposals, mainly achieved through the disposal of public house business, to £10.2 million. Therefore, whilst a progressive updating policy on the group's bus fleet has been maintained, reducing the average age of the fleet to 9 years, £3.5 million in cash was available to reduce borrowings. The group's prudent approach to the acquisition, and the further increase in committed funding drawn down, led to an increase in cash and cash equivalents of £10.8 million. The cash held in the balance sheet at the year end was partly needed to settle maturing loans. It also adds to the group's headroom of facilities available amounting to £10 million of loan facility at the year end. Borrowings of the group increased overall in the year due to the absorption of debt, including preference shares in Mokett Limited. The total debt may be analysed as:

£million	1996 £million	1995
Bank loans	18.5	13.8
Unsecured loan notes	5.0	5.0
Hire purchase and lease finance	31.8	15.6
Net cash and bank balances	(10.9)	(0.1)
	44.4	34.3

Calculating gearing using the above figures divided by the group's net assets, group gearing shows a considerable reduction from 327% at the end of 1995 to 240%. It is the group's intention to maintain this level of progress in the current year.

Balance sheet

The significant movements in the balance sheet reflect the profits retained in the year and the net impact of the acquisition of Mokett Limited. Net assets have increased to £18.5 million from £10.5 million. Current creditors have also increased reflecting the increase in loan debt repayable and the increasing level of provision for insurance claims which, until the group's policy of self insurance matures, will continue to be a generator of cash.

Accounting policies

There have been no changes in policy in the year. The group's prudent provisioning policy on building and vehicle repairs has given rise to a provision at the end of the year of £2 million. This policy may need to be re-examined in the current year, depending on progress made in the issuing of an accounting standard on provisions planned by the Accounting Standards Board. This may require the release of some or all of these provisions, increasing the group's net assets by an equivalent amount.

OPERATING REVIEW

North east bus businesses

The process of rationalisation within the north east subsidiaries has continued during the year following the acquisition of the OK Motor Services business. Further significant reductions in unit costs have been achieved by targeting overheads enabling the companies to maintain service levels and quality whilst improving profitability. Many of those changes were, however, delayed by the investigation conducted by the MMC into the OK acquisition. This inquiry, which subsequently cleared the deal, nevertheless took an excessive amount of time to complete and during its conduct placed significant restrictions on the freedom of the group to develop its business.

Despite the continuing economic difficulties affecting parts of the north east and pockets of intense competition in the area, good progress has been made in improving the convenience of travel for customers, and encouraging their loyalty to the product. All core subsidiaries have now introduced and further developed a range of magnetic card tickets for sale on vehicles, offering still greater choice to users. At the same time, the telephone enquiry service launched in August 1995 has continued to expand and now handles more than 1800 calls every week. This represented the first of a series of initiatives designed to provide customers with improved information about the network of services offered within the region and the closer integration made possible by the OK acquisition.

The success of the companies depends upon the staff delivering service to the customer, and constant effort has been devoted to staff development through training and communication initiatives. South Shields based VFM Buses became the first group subsidiary to be awarded Investors in People status, and also received the annual regional Opportunity 2000 award for its contribution towards enhancing the quantity and quality of women's participation in the workplace. Both programmes are being developed throughout the group.

London

The major event of the year was the acquisition of the London General company from the management and employee buyout team. London General, which operates throughout south and south west London represents an important strategic addition to the group's London activities, and complements the previously acquired London Central business. The two companies together account for approximately 18% of London's bus services. It is particularly pleasing that the team who led the company through its initial privatisation have chosen to stay and continue to develop the business within The Go-Ahead Group.

Bus services in the capital continue to be subject to regulation and operate under contract to London Transport Buses. Both London Central and London General have enjoyed continuing success in competitive tendering for such work, London Central having retained both route 51 (Woolwich - Orpington) and route 171 (Catford - Holborn) together with the night bus equivalent, N171. In each case the new contracts employ new doubledeck buses equipped with the latest Euro2 low emission engines. Over 10% of the London Central fleet has now been replaced by vehicles of this nature since the acquisition of the company - a not inconsiderable contribution to improving the environment of London. A further major order will see almost 100 new vehicles progressively introduced to London General following that company's successful retention of the Sutton services, including a significant number of low floor singledeck buses to improve accessibility for the less mobile.

Both companies operate the popular traditional Routemaster bus, and indeed the group has become the largest operator of such buses in London. The majority of the vehicles have been extensively refurbished in recent years, and they are expected to continue to operate in Central London for some years yet, subject always to London Transport contract requirements.

Although most services are operated under contract, both companies seek to find new sources of income from work outside the scope of these contracts, whilst at the same time working with London Transport to improve the scheduled bus service. London Central is heavily involved in the operation of the night bus network and following comprehensive improvements during the year, Routes 36 and N36 now provide a 24 hour service between Queens Park, Trafalgar Square and Lewisham. Continuing refurbishment of the Underground system has provided a good source of extra work with contracts to provide replacement services for both the City and Northern Lines.

In anticipation of the revised net cost tendering regime, the companies have continued to reduce their cost base and improve service quality. London Central's engineering division is the latest part of the group to receive ISO 9002 accreditation, being recently presented with its certificate by the Traffic Commissioner for the Metropolitan and South Eastern Area. London General is also ISO 9002 accredited.

Regrettably it is also necessary to record the destruction of a London Central bus on Route 171 at the Aldwych in a terrorist bomb incident in February 1996. Serious injuries were caused to driver Bob Newitt and to several passengers. Mr Newitt's injuries were such that he has, as yet, been unable to return to work. In spite of the shock caused by this tragedy, a full service operated on the route in the following days - a tribute to the courage and determination of London Central's busmen and women.

South east bus businesses

Brighton & Hove

Growth in patronage continued for the third successive year with a rise of 5.2% being recorded. A further excellent summer of trading has been supported by increased frequencies, promotion of key routes with value for money fares, and a buoyant student market to the Universities. The continuing extension of bus priorities introduced by the local authorities has been coupled with investment in new vehicles to provide a high standard of reliability and comfort. A total of 52 new vehicles - around one-third of the fleet - were introduced during the year representing an investment of £4.5 million.

Secretary of State for Transport, Sir George Young, launched the new fleet in the Spring, and saw for himself the partnership approach which, with Brighton Transport, East Sussex County Council and Brighton Borough Council, has seen the introduction of further bus priority measures in Brighton Town Centre. Buses now have special segregated lanes or shared road space with taxis and cycles along the main commercial streets through Brighton town centre and further improvements are planned for 1997.

Amongst the new vehicles were twenty Dennis Lance singledecks with kneeling facility introduced to a busy cross town route with increased frequency and ten Scania doubledecks introduced to the popular service to Brighton and Sussex Universities, where the frequency was doubled at the start of the academic year to cope with growing demand. In introducing new vehicles the opportunity was taken to change the familiar red and cream livery with new colour schemes for each of the three top routes. This branding is aimed at helping easy identification of the routes to those unfamiliar with the timetables.

As with all group companies, Brighton and Hove staff play a key role in developing the company. Arrangements were finalised for introduction of a profit related pay scheme whilst staff, once again, voted in the annual competition to find the employee of the year. This year's winner was driver Anita Jasper who also carries out instruction of new recruits. Another driver, Brian Avey, drove in a relief convoy taking aid and relief supplies to Bosnia. Recognition for their efforts also came to staff at the company's One Stop Travel Shop which sells tickets for bus, coach, train and ferry in Brighton. This outlet was declared Agent of the Year by National Express in a competition throughout the UK.

New initiatives included three new night services introduced for the first time during the summer of 1996 which received an encouraging response from the town's many night-clubbers. Another first saw the introduction of a bespoke service between Newhaven Ferry Terminal and Brighton for the benefit of French day-trippers. French Francs are accepted for the fare on the bus.

Oxford and Wycombe Bus Companies

Trading conditions in Oxford proved difficult during the year following a further increase in competition. In a vigorous defence of market share the company took a number of steps to increase service frequencies and to promote new fares and ticketing systems. Stability was restored by the end of the year with a significant increase in market share in a number of areas including CityLine services, Park and Ride and the Oxford - London CityLink coach service.

The company continued the introduction of new environmentally friendly vehicles during the year with 28 high capacity Volvo singledeck buses equipped to Euro 2 standards. Together with the 20 Dennis vehicles introduced last year with revolutionary new exhaust catalyst and particulate trap systems, and the 4 battery electric midibuses operated in partnership with Oxfordshire County Council and Southern Electric, Oxford Bus Company leads the way in environmentally friendly bus initiatives.

The city centre environment in Oxford is particularly sensitive and the company has continued to work in partnership with the City and County Councils as well as the wider business community on radical plans to increase pedestrianisation whilst providing alternative high quality bus priorities and strategic bus lanes throughout the city. Also in partnership, this time with Oxfordshire County Council and Volvo Bus Limited, further development work has continued to promote the GTE Guided Bus concept, first launched by the company in 1994.

Within High Wycombe the first steps have been taken to revitalise the bus network following many years of unrestrained car traffic growth. Investment in new magnetic card ticketing systems and a refocus on core town services accompanied by improvements in vehicle quality have seen ridership grow during the year. Towards the end of the year, Buckinghamshire County Council agreed to support a new “Quality Bus Initiative” featuring 7 new low floor vehicles as part of a move towards a new integrated transport strategy and it is anticipated that this will lead to new opportunities in the future.

Strategy

The group continues to believe in the increasing need for public transport in urban centres and for high quality service. Partnership between the bus operator and local authority is an essential part of the future development of such systems and this review records a number of examples of what can be achieved. Group subsidiaries will continue to lobby and to work with local authorities and others to demonstrate the very practical role which public transport must play in the future.

Although previously concentrated on local bus service provision, the group has continued to explore new opportunities to develop its public transport interests. Whilst the earlier franchises offered under the Government's rail privatisation programme were not considered appropriate, many of the later franchises, which focus on urban or regional network services are of interest. The group has, therefore, sought to pre-qualify for certain such franchises. Separately, and in partnership with the French VIA-GTI group, Go-Ahead has pre-qualified and been shortlisted for the Docklands Light Rail franchise in London.

In a development subsequent to the year end, the group has been successful through its 65% ownership of Victory Railways, in a bid for the franchise to operate the Thames Trains service from London Paddington to points including Reading, Windsor, Oxford and Stratford. Thames Trains was subject to total route modernisation in the early 1990's and offers an exciting opportunity to continue the record of patronage growth and to improve bus-rail co-ordination in a number of areas. The remaining 35% of the shares in Victory Railways are held by management and employees.

Non-core activities

Go-Ahead Leisure, the public house operating subsidiary, was disposed of during the year at a profit. Metro Taxis, which operates an extensive taxi service in Newcastle upon Tyne, improved its contribution during the year, regaining important contract work for the local health authority and successfully bidding for the franchise to operate from the Gateshead MetroCentre.

Voyager Coaches' private charter and coach touring activities were merged into those of OK Motor Services during the year. Voyager now operates solely on contract to National Express, providing Rapide coach services from the north east to the midlands, south west and north west of England.

Five Year Summary

	1996 £M	1995 £M	1994 £M	1993 £M	1992 £M
TURNOVER	134.8	111.7	61.4	49.3	47.2
OPERATING PROFIT BEFORE EXCEPTIONALS	14.1	12.2	4.5	2.9	2.7
OPERATING MARGIN	10.5%	10.9%	7.3%	5.9%	5.7%
Exceptional items	0.8	(1.9)	(1.0)	(2.3)	(0.4)
Net interest (payable)/receivable	(3.0)	(1.8)	(0.6)	(0.2)	0.2
PROFIT BEFORE TAXATION	11.9	8.5	2.9	0.4	2.5
Taxation	(2.8)	(1.0)	(0.9)	–	(0.7)
Dividends	(2.4)	(1.7)	–	–	–
RETAINED PROFIT	6.7	5.8	2.0	0.4	1.8
CASH FLOW					
Operating cash flow	21.8	11.2	9.0	3.5	3.8
Returns on investments and servicing of finance	(5.3)	(2.3)	(0.6)	(0.2)	0.2
Taxation	(2.8)	(1.1)	(0.8)	(1.1)	(0.9)
Free cash flow	13.7	7.8	7.6	2.2	3.1
Investing activities					
business acquisitions	(21.8)	(22.6)	(13.8)	–	(0.4)
net capital expenditure	(10.2)	(10.8)	(7.0)	(4.4)	(4.8)
Financing	29.1	22.1	11.9	2.7	2.1
Net cash movements	10.8	(3.5)	(1.3)	0.5	0.0
Closing net cash	10.9	0.1	3.6	4.9	4.4
EMPLOYMENT OF CAPITAL					
Fixed assets	82.8	58.1	31.9	16.7	15.4
Net liabilities (including provisions and deferred grants)	(27.6)	(18.7)	(10.4)	(3.9)	(4.6)
	55.2	39.4	21.5	12.8	10.8
CAPITAL EMPLOYED					
Leasing over one year	20.9	10.2	6.2	4.5	2.9
Long term loans	15.8	18.7	–	–	–
Capital and reserves	18.5	10.5	15.3	8.3	7.9
	55.2	39.4	21.5	12.8	10.8
NET BORROWINGS					
Bank and cash balances	(10.9)	(0.1)	(3.6)	(4.9)	(4.4)
Bank loans	18.5	13.8	–	–	–
Loan notes	5.0	5.0	–	–	–
Leasing	31.8	15.6	9.3	6.5	3.7
	44.4	34.3	5.7	1.6	(0.7)
STATISTICS					
Earnings per share (as adjusted for the scrip issue on 27 April 1994)	24.6p	21.9p	8.2p	1.0p	5.3p
Dividends per share	5.55p	4.80p	–	–	–
Gearing ratio	240%	327%	37%	18%	(9%)
Net assets (including Goodwill) per share	148p	96p	72p	38p	37p

Directors, Advisors and Shareholder Information

Directors

Sir Michael Straker (68) is non-executive chairman. He was chairman of Northumbria Water Group PLC throughout its privatisation and flotation. He is also a director of The Port of Tyne Authority.

Douglas Adie (54) is managing director, London. With over 20 years bus industry experience he has been managing director of London Central Bus Company Limited since its formation in 1988. He has also taken on additional responsibilities relating to Brighton and Oxford.

Martin Ballinger (52) is managing director. He led Northern General through deregulation of the bus industry in 1986 and the management buy-out in 1987. Having qualified as a management accountant in 1968, he held various accounting posts before joining NBC in 1972. He is also a director of Northern Enterprise Limited.

Duncan Clegg (54) is a non-executive director. Many years merchant banking experience brings a City view to the board. He is also a non-executive director of a number of other companies.

Christopher Moyes (47) is commercial director. He has been responsible for the marketing and operational side of the business since 1983 having joined NBC in 1971. An engineering graduate, he holds post graduate qualifications in Transport Planning and Engineering.

Ian Butcher (45) is finance director and company secretary. He is a chartered accountant and has gained wide experience at finance director level in a number of industries, most recently with Casket plc, before joining The Go-Ahead Group PLC in March 1996.

The audit committee consists of Sir Michael Straker and Duncan Clegg with Martin Ballinger in attendance. The remuneration committee consists of Sir Michael Straker, Martin Ballinger and Duncan Clegg.

Advisors

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Shareholder Information

Range of holdings	No of holders	%	Shares held 000	%
1 - 10,000	1,515	85.5	1,989	4.36
10,001 - 100,000	186	10.5	6,444	14.15
100,001 - 500,000	55	3.1	12,591	27.65
500,001 - 1,000,000	7	0.4	4,953	10.88
Over 1,000,000	9	0.5	19,563	42.96
	1,772	100.0	45,540	100.00

Classification of shareholders	No of holders	%	Shares held 000	%
Directors' beneficial holdings	4	0.23	7,618	16.73
Other individuals	1,415	79.85	8,940	19.63
Institutional investors	353	19.92	28,982	63.64
	1,772	100.00	45,540	100.00

The company supports and complies with all the recommendations in the Cadbury Committee's code of best practice except as noted in the statement below.

The Board

The board comprises two non-executive directors and four executive directors, and is responsible to shareholders for the proper management of the group. It meets every two months, setting and monitoring group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition possibilities, formulating policy on key issues and reporting to shareholders.

The board has appointed the following committees to deal with specific aspects of the group's affairs.

Audit Committee

The audit committee, which is chaired by Sir Michael Straker, comprises all the non-executive directors, and meets not less than twice annually. The committee provides a forum for reporting by the group's external and internal auditors. Meetings are also attended, by invitation, by the managing director. It also receives and reviews reports from management relating to the annual and half year profit figures and statements and monitors the controls which are in force to ensure the integrity of the financial information reported to the shareholders. It also advises the board on the appointment of external auditors and on their remuneration both for audit and non-audit work. The committee has unrestricted access to the auditors.

Remuneration Committee and its Report

The remuneration committee is made up of all the non-executive directors and the managing director and is chaired by Sir Michael Straker. It has the responsibility for determining the remuneration, contract terms and other benefits for executive directors, including performance-related bonus and share option schemes. These issues are considered on the basis of ensuring that they reflect current market practice and the responsibilities of the individuals concerned. The remuneration arrangements consist of basic salary, performance related bonus based on functional performance, contributions to the group pension plan, use of a car, healthcare insurance, professional subscriptions and other benefits in accordance with typical company practice. Details of remuneration, including share options, and contract terms are set out in Note 6 to the accounts.

Pension Plan

The assets of the group's pension plan are totally separate from the assets of the group and are invested with independent fund managers. There are 23 trustees, all employees chosen to reflect the geographic and functional spread of the group and including three executive directors. Martin Ballinger is chairman of the trustees. The auditors and actuaries of the plan are both independent of the group.

Internal Controls

The board is responsible for establishing and maintaining the group's system of internal controls. Internal financial control systems are designed to meet the particular needs of the company concerned and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the directors have established with a view to providing effective internal financial controls are as follows:

- a decentralised organisation structure with defined limits of responsibility and authority;
- an annual budgeting process with regular re-forecasting of results, identifying key risks and opportunities;
- monthly reporting of financial information to the board encompassing profit and loss, cashflow and balance sheet information and key operating ratios; all results are monitored by group executives; the company reports to shareholders twice a year;
- regular board reporting of specific matters including insurance and treasury management;
- defined capital expenditure approval procedures;
- each group company maintains controls and procedures appropriate to its business and they are reviewed on an annual basis; and
- a commitment to best practice in external reporting.
- The directors confirm that they have reviewed the effectiveness of the system of internal financial control of the group during the year.

Compliance

The directors consider that they have fully complied with the guidelines to the extent that they believe is appropriate. However;

Paragraph 1.3 of the Code recommends that the Board should include non-executive directors of sufficient number (usually three or more) for their views to carry significant weight in the Board's decisions.

Paragraph 4.3 of the Code recommends that the Board should establish an Audit Committee of at least three non-executive directors.

In common with many other companies of a similar size the Board has not felt it necessary for the company to have more than two non-executive directors.

Report by the Auditors to The Go-Ahead Group PLC on Corporate Governance matters

In addition to our audit of the accounts, we have reviewed the directors' statement on page 10 on the group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board and assessed whether the directors' statements on going concern and internal financial control are consistent with the information of which we are aware from our audit. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the group's system of internal financial control or its corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statement on internal financial control on page 10 and going concern on page 13 in our opinion the directors have provided the disclosure required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and that such statements are consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the group, and examination of relevant documents, in our opinion the directors' statement on page 10 appropriately reflects the group's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young
Chartered Accountants
Newcastle upon Tyne
19 September 1996

The directors present their report and audited accounts for the year to 29 June 1996.

ACTIVITIES

The company is the parent undertaking of a group which operates buses, coaches and taxis in the north east of England, Brighton, London and Oxford.

TRADING

The profit and loss account appears on page 15. The directors propose that a final dividend of 3.7p be paid (making a total of 5.55p for the year) and that the retained profit for the year of £6,683,000 should be carried to reserves.

A review of the business of the group during the year and its prospects for the future can be found in the Chairman's Statement and the Financial & Operating Review on pages 2 to 7.

FIXED ASSETS

In the opinion of the directors, the market value of the group's properties was not materially different from their net book value.

DIRECTORS

The directors and their interests in the share capital were -

		1996 No	1995 Or date of Appointment No
Sir Michael Straker	Beneficial	164,256	164,256
D J Adie		–	–
M S A Ballinger	Beneficial	3,877,712	3,877,712
I P Butcher		–	–
R D Clegg	Beneficial	6,000	5,000
C Moyes	Beneficial	3,516,052	3,523,152
	Non-beneficial	54,400	86,400

Details of directors' interests in share options appear in Note 6 to the accounts.

Mr T H Shears resigned on 31 March 1996 and Mr I P Butcher was appointed on 1 April 1996. There have been no changes since the year end.

Sir Michael Straker retires by rotation and, being eligible, offers himself for re-election.

SUBSTANTIAL SHAREHOLDINGS

As at 9 September 1996 the company has been notified of the following interests in its ordinary shares which represent 3% or more of the issued shares of the company:

	No.	%
T H Shears	2,544,800	5.59
Gartmore Investment Management	3,704,000	8.13
FP Asset Management	3,583,000	7.86
Mercury Asset Management	2,941,155	6.45
Jupiter Asset Management	1,368,000	3.00

The last four holdings are in respect of the aggregate of investment management clients' interests within the respective asset management companies.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these accounts, 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 departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS AND THEIR RESPONSIBILITIES

The company's registered auditor, Ernst & Young, are responsible for forming an independent opinion on the accounts of the group presented by the directors, and for reporting their opinion to the shareholders. The auditors are required to report to the shareholders if the following are not met:

- that the group has maintained proper accounting records;
- that the accounts are in agreement with the

accounting records;

- that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and
- that they have obtained all information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the Directors' Report on pages 12 and 13. However, the Companies Act 1985 requires auditors to report to the shareholders if the matters contained in the Directors' Report are inconsistent with the accounts.

A resolution to re-appoint Ernst & Young as auditors of the company will be proposed at the Annual General Meeting.

MANAGEMENT AND STAFF

There are four approved share option schemes in existence intended to enable managers and all staff to share in the prosperity of the group.

It is the group's policy to give full consideration to suitable applications for employment by disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees who become disabled to continue in their employment or to be trained for other positions in the group.

The group is committed to involve all employees in the performance and development of the group. Employees are encouraged to discuss with management matters of interest to the employees and subjects affecting day-to-day operations of the group. Discussions take place regularly with trades unions representing the employees on a wide range of issues.

The group supports local communities' events in which its employees participate. The group is a member of the Per Cent Club in the north east and commits a proportion of its pre-tax profits to community activities, principally in the fields of education and training. Charitable donations, sponsorship and community support over the year amounted to £66,000 (1995 - £65,000).

SUPPLIERS

Each company agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the suppliers.

GOING CONCERN

On the basis of current financial projections and facilities available, the directors have a reasonable expectation that the group has adequate resources to continue for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing accounts.

By Order of the Board

I P BUTCHER

Secretary

Registered office:
Cale Cross House
Pilgrim Street

NEWCASTLE UPON TYNE
NE1 6SU

19 September 1996
Registered No. 2100855

Report Of The Auditors

TO THE MEMBERS OF THE GO-AHEAD GROUP PLC

ERNST & YOUNG

We have audited the accounts on pages 15 to 36 which have been prepared under the historical cost convention (as modified by the revaluation of certain properties) and on the basis of the accounting policies set out on page 20.

Respective responsibilities of directors and auditors

As described on page 12 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company and of the group as at 29 June 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ERNST & YOUNG
CHARTERED ACCOUNTANTS
REGISTERED AUDITOR
NEWCASTLE UPON TYNE

19 September 1996

Consolidated Profit And Loss Account

FOR THE YEAR TO 29 JUNE 1996

	NOTES	1996 £000	1995 £000
TURNOVER	2		
Continuing operations		132,366	110,263
Acquisitions		1,494	–
		133,860	110,263
Discontinued operation		962	1,416
		134,822	111,679
Operating costs		(120,712)	(99,484)
Exceptional items		638	(1,905)
	3	(120,074)	(101,389)
OPERATING PROFIT	2		
Continuing operations		14,517	10,120
Acquisitions		211	–
		14,728	10,120
Discontinued operation		20	170
		14,748	10,290
Profit on sale of assets in discontinued operation		148	–
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		14,896	10,290
Net interest payable	4	(3,027)	(1,769)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	11,869	8,521
Taxation	8	(2,827)	(1,008)
PROFIT FOR THE FINANCIAL YEAR		9,042	7,513
Dividends	9	(2,359)	(1,750)
RETAINED PROFIT FOR THE FINANCIAL YEAR		6,683	5,763
EARNINGS PER SHARE	10	24.6p	21.9p

There are no recognised gains & losses other than the profit for the financial year shown above.

Consolidated Balance Sheet

AS AT 29 JUNE 1996

	NOTES	1996 £000	1995 £000
FIXED ASSETS			
Tangible assets	11	82,621	58,042
Investments	13	201	101
		82,822	58,143
CURRENT ASSETS			
Stocks		2,839	2,251
Debtors	14	17,049	10,585
Cash at bank and in hand		11,152	1,023
		31,040	13,859
CREDITORS: amounts falling due within one year	15	(56,407)	(30,315)
NET CURRENT LIABILITIES		(25,367)	(16,456)
TOTAL ASSETS LESS CURRENT LIABILITIES		57,455	41,687
CREDITORS: amounts falling due after more than one year	16	(36,970)	(29,093)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(1,968)	(2,114)
NET ASSETS		18,517	10,480
CAPITAL AND RESERVES			
Called up share capital	19	4,554	3,645
Share premium	20	35,608	16,009
Revaluation reserve	20	777	791
Other reserves	20	(39,296)	(20,142)
Profit and loss account	20	16,874	10,177
EQUITY SHAREHOLDERS' FUNDS		18,517	10,480

M I B STRAKER
Chairman

I P BUTCHER
Finance Director

19 September 1996

Balance Sheet
AS AT 29 JUNE 1996

	NOTES	1996 £000	1995 £000
FIXED ASSETS			
Tangible Fixed Assets	11	12,438	13,333
Investments	13	65,424	40,352
		77,862	53,685
CURRENT ASSETS			
Debtors	14	20,100	8,380
Cash at bank and in hand		8,735	9
		28,835	8,389
CREDITORS: amounts falling due within one year	15	(39,485)	(25,691)
NET CURRENT LIABILITIES		(10,650)	(17,302)
TOTAL ASSETS LESS CURRENT LIABILITIES		67,212	36,383
CREDITORS: amounts falling due after more than one year	16	(15,816)	(13,755)
PROVISIONS FOR LIABILITIES AND CHARGES	18	–	(8)
NET ASSETS		51,396	22,620
CAPITAL AND RESERVES			
Called up share capital	19	4,554	3,645
Share premium	20	35,608	16,009
Revaluation reserve	20	777	791
Other reserves	20	5,400	–
Profit and loss account	20	5,057	2,175
EQUITY SHAREHOLDERS' FUNDS		51,396	22,620

M I B STRAKER
Chairman

I P BUTCHER
Finance Director

19 September 1996

Consolidated Cash Flow Statement

FOR THE YEAR TO 29 JUNE 1996

	NOTES TO CASH FLOW	1996 £000	1995 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	1	21,819	11,153
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		347	225
Interest paid		(1,704)	(1,149)
Interest element of hire purchase and lease finance		(2,068)	(845)
Dividends paid		(1,841)	(583)
Dividends paid by subsidiary to former shareholders		(93)	–
Net cash outflow from returns on investments and servicing of finance		(5,359)	(2,352)
TAXATION			
Corporation tax paid		(2,787)	(1,105)
INVESTING ACTIVITIES			
Purchase of subsidiary undertaking	2	(21,827)	(22,508)
Purchase of goodwill		–	(59)
Purchase of tangible fixed assets		(13,958)	(11,249)
Sale of tangible fixed assets		3,792	461
Net cash outflow from investing activities		(31,993)	(33,355)
NET CASH OUTFLOW BEFORE FINANCING		(18,320)	(25,659)
FINANCING			
Issue of ordinary share capital		21,142	5,344
Share issue costs		(814)	(82)
Redemption of preference shares by subsidiary		(2,390)	–
Receipts from bank loans		19,829	17,715
Repayment of bank loans		(15,117)	(4,000)
Receipts from hire purchase and lease finance		15,105	8,983
Repayments of hire purchase and lease finance		(8,656)	(5,769)
Net cash inflow from financing	3	29,099	22,191
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	4	10,779	(3,468)

Notes to the Cash Flow Statement

1 RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £000	1995 £000
Group operating profit	14,748	10,290
Profit on sale of assets in discontinued operation	148	–
Depreciation	7,303	5,270
Movement on provisions	(415)	(819)
(Profits)/losses on disposal of tangible fixed assets	(399)	62
Increase in stocks	(16)	(24)
Increase in debtors	(2,246)	(2,664)
Increase/(decrease) in creditors	2,696	(962
Net cash inflow from operating activities	21,819	11,153

2 PURCHASE OF SUBSIDIARY UNDERTAKING

The cash flows in respect of the purchase of the subsidiary undertaking are as follows:

	1996 £000	1995 £000
Consideration (Note 13)	24,614	25,636
Shares issued	(5,580)	–
Loan notes	–	(5,023)
	19,034	20,613
Cash at bank and in hand acquired	(1,525)	(263)
Bank overdraft acquired	3,860	1,591
	21,369	21,941
Expenses of acquisition	458	567
	21,827	22,508

3 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share Capital (inc. share premium)		Loan, hire purchase and lease obligations	
	1996 £000	1995 £000	1996 £000	1995 £000
At 2 July 1995	19,654	14,392	34,373	9,270
Arising on acquisition of subsidiary undertakings	2,390	–	9,701	3,151
Issue of shares - non cash	5,580	–	–	–
Loan notes - non cash	–	–	–	5,023
Section 131 merger relief	(5,400)	–	–	–
Net cash inflow from financing	17,938	5,262	11,161	16,929
At 29 June 1996	40,162	19,654	55,235	34,373

4 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1996 £000	Change in Year £000	1995 £000	Change in Year £000	1994 £000
Cash at bank and in hand	11,152	10,129	1,023	(2,520)	3,543
Bank overdrafts	(298)	650	(948)	(948)	–
	10,854	10,779	75	(3,468)	3,543

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention modified by the revaluation of certain properties and in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of the company and each of its subsidiary undertakings for the year to 29 June 1996, with the exception of Mokett Limited and London General Transport Services Limited whose last financial year ended on 31 March 1996. The accounting reference date of these subsidiary undertakings will be brought into line with the group at the end of the current financial year.

The results of subsidiary undertakings acquired in the year are consolidated from the date of acquisition. The results of subsidiary undertakings disposed of in the year are consolidated up to the date of disposal.

CAPITAL GRANTS

Grants received in respect of new bus grants under S32 Transport Act 1965 and ERDF grants were deducted from the costs of the assets, giving the cost for depreciation purposes.

Other capital grants received are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets.

LEASING AND HIRE PURCHASE COMMITMENTS

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

DEPRECIATION

Land and non-industrial properties are not depreciated. The cost (after deducting certain capital grants) or valuation of other tangible assets including assets held under finance leases and hire purchase contracts is depreciated evenly over the expected useful lives of the assets as follows:

Freehold buildings and long leasehold property	50 years
Short leasehold property	The remainder of the lease
Rolling stock	8 to 15 years
Plant & equipment	5 to 10 years

GOODWILL

The excess of the purchase consideration over the fair value of net assets acquired in subsidiary undertakings is written off against reserves.

STOCKS

Stocks are valued at the lower of cost and net realisable value.

BUILDING & VEHICLE REPAIRS

Provision is made for major repairs identified as being necessary but not carried out by the period end particularly recognising the group's vehicle replacement programme and likely future operational property requirements. This is based on bi-annual assessments by the directors.

DEFERRED TAXATION

Deferred taxation is provided, using the liability method, on all timing differences, including those in respect of pension benefits, to the extent that they are expected to reverse in the future without being replaced, calculated at the rate which it is anticipated the timing differences will reverse.

PENSION BENEFITS

Pension benefits are funded over the employees' average period of service. The net pension cost to the group as determined from the latest triennial actuarial valuation and subsequent actuarial reviews is charged to the profit and loss account.

2. SEGMENTAL ANALYSIS

	1996 £000	1995 £000
TURNOVER		
Continuing operations		
Road passenger transport	132,366	110,263
Acquisitions	1,494	–
	133,860	110,263
Discontinued operation		
Sales of brewery and allied products	962	1,416
Group turnover	134,822	111,679
OPERATING PROFIT		
Continuing operations		
Road passenger transport	13,879	12,025
Acquisitions	211	–
	14,090	12,025
Discontinued operation		
Sales of brewery and allied products	20	170
	14,110	12,195
Exceptional items	638	(1,905
Group operating profit	14,748	10,290
NET ASSETS		
Road passenger transport (including acquisition)	69,717	47,941
Sales of brewery and allied products	–	(182)
	69,717	47,759
Unallocated net liabilities:		
Taxation	(5,134)	(1,814)
Proposed dividends	(1,685)	(1,167)
Interest bearing net liability	(44,381)	(34,298)
Total net assets	18,517	10,480

All operations are of U.K. origin.

3. OPERATING COSTS

	1996			
	Continuing £000	**Acquisition £000**	**Discontinued £000**	**Total £000**
Materials and external charges	34,458	366	911	35,735
Staff costs	79,169	855	30	80,054
Depreciation of tangible fixed assets	7,194	85	24	7,303
Other operating charges	151	–	–	151
Other operating income	(3,123)	(23)	(23)	(3,169)
	117,849	1,283	942	120,074

	1995			
	Continuing £000	**Acquisition £000**	**Discontinued £000**	**Total £000**
Materials and external charges	27,419	–	1,162	28,581
Staff costs	67,358	–	48	67,406
Depreciation of tangible fixed assets	5,239	–	31	5,270
Other operating charges	2,048	–	5	2,053
Other operating income	(1,921)	–	–	(1,921)
	100,143	–	1,246	101,389

4. NET INTEREST PAYABLE

	1996 £000	**1995 £000**
On bank loans and overdrafts	1,014	1,061
Finance lease and hire purchase interest	2,068	845
Other interest payable	292	88
	3,374	1,994
Interest receivable on bank deposits	(347)	(225)
	3,027	1,769

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):

	1996 £000	**1995 £000**
Auditors remuneration -		
Audit fees	102	90
Non-audit services	116	8
Depreciation -		
Owned assets	4,659	3,302
Leased assets	2,644	1,968
Operational lease and rental charges -		
Property	119	118
Plant and equipment	12	12
Profit on sale of assets in discontinued operation	(148)	–
Other (profits) / losses on disposal of tangible assets	(251)	62
Exceptional operating items -		
Prior year rates refunds	(638)	–
Redundancy payments	–	1,269
Payments to secure changes to terms and conditions of employment	–	636

Expenses of acquisition include non-audit services of £146,000 (1995 - £155,000).

6. DIRECTORS' REMUNERATION

	Salary/Fees		Performance related		Benefits in kind		Pension value of benefits		Total	
	1996 £000	1995 £000	1996 £000	1995 £000	1996 £000	1995 £000	1996 £000	1995 £000	1996 £000	1995 £000
Sir Michael Straker	18	15	–	–	–	–	–	–	18	15
Douglas Adie	70	–	–	–	5	–	10	–	85	–
Martin Ballinger	98	92	15	–	6	6	21	3	140	101
Ian Butcher	26	–	–	–	2	–	1	–	29	–
Duncan Clegg	15	2	–	–	–	–	–	–	15	2
Christopher Moyes	85	80	15	–	6	6	14	1	120	87
Trevor Shears	61	80	15	–	5	7	5	3	86	90
	373	269	45	–	24	19	51	7	493	295

Messrs Adie, Ballinger, Moyes and Shears are members of the group's final salary pension scheme. The value of pension benefits has been calculated on the basis recommended by the Institute of Faculty of Actuaries. During the year, the increase in their accrued pensions were £2,000, £3,000, £3,000 and £1,000 respectively (1995 - £Nil, £1,000, £1,000 and £1,000). The value of pension benefits set out above represents the equivalent increase in transfer values after deducting the directors' personal contributions. The number of directors receiving remuneration, excluding pension contributions, can be summarised as follows:

	1996	1995
£ 1 to £ 5,000	–	1
£ 10,001 to £ 15,000	–	1
£ 15,001 to £ 20,000	2	–
£ 25,001 to £ 30,000	1	–
£ 75,001 to £ 80,000	1	–
£ 80,001 to £ 85,000	1	–
£ 85,001 to £ 90,000	–	2
£ 95,001 to £ 100,000	–	1
£ 105,001 to £ 110,000	1	–
£ 115,001 to £ 120,000	1	–

On 19 July 1996 Douglas Adie and Ian Butcher were each respectively granted options over 100,000 shares at an exercise price of 285p per share exercisable between 19 July 1999 and 19 July 2006. As part of the group savings related share option scheme, Douglas Adie has an option over 468 shares at 128p exercisable in 2000, and a further 1,144 shares at 236p exercisable in 2001. The market price of the shares at 29 June 1996 was 305p and the range during the year to 29 June 1996 was 211p to 344p.

Details of directors' service contracts with notice periods of one year or more are as follows:

	Notice Period
Douglas Adie	One year
Martin Ballinger	Two years
Ian Butcher	Two years from date of appointment; one year thereafter
Christopher Moyes	Two years

7. EMPLOYEES

	1996 £000	1995 £000
Staff costs:		
Wages, salaries and expenses	72,229	60,251
Social security costs	5,573	4,544
Other pension costs	2,252	2,611
	80,054	67,406

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

	1996	1995
Administration and supervision	570	552
Maintenance and engineering	764	724
Operations	4,118	3,415
	5,452	4,691

8. TAXATION

	1996 £000	1995 £000
The taxation charge is made up as follows:		
Corporation tax at 33%		
On the profit for the year	2,608	2,325
Relating to prior years	219	(40)
Deferred taxation		
On change of depreciation calculation method	–	(1,277)
	2,827	1,008

If full provision had been made for deferred tax in the year, the tax charge would have increased by £994,000 (1995 - £1,796,000)

There would be no liability to taxation in respect of capital gains on properties if these properties were to realise the value stated in the accounts.

9. DIVIDENDS

	1996 £000	1995 £000
Equity:		
Interim dividend of 1.85p per share (1995: 1.60p per share)	674	583
Proposed final dividend of 3.70p per share (1995: 3.20p per share)	1,685	1,167
	2,359	1,750

10. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on earnings of £9,042,000 (1995 - £7,513,000) divided by the weighted average number of ordinary shares of 36,699,060 (1995 - 34,239,219).

11. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £000	Leasehold Properties £000	Rolling Stock £000	Plant & Equipment £000	Total £000
GROUP					
COST OR VALUATION					
At 1 July 1995					
At l985 valuation	2,341	139	–	–	2,480
At cost	14,088	2,442	91,870	11,588	119,988
	16,429	2,581	91,870	11,588	122,468
Additions	–	–	12,474	1,484	13,958
New subsidiary undertakings	6,400	–	37,418	2,663	46,481
Disposals	(2,760)	(90)	(4,643)	(1,566)	(9,059)
At 29 June 1996					
At l985 valuation	2,341	139	–	–	2,480
At cost	17,728	2,352	137,119	14,169	171,368
	20,069	2,491	137,119	14,169	173,848
DEPRECIATION					
At 1 July 1995	947	245	56,359	6,875	64,426
New subsidiary undertakings	370	–	22,970	1,824	25,164
Charge for the year	232	69	5,867	1,135	7,303
Disposals	–	–	(4,288)	(1,378)	(5,666)
At 29 June 1996	1,549	314	80,908	8,456	91,227
NET BOOK VALUE					
At 29 June 1996	18,520	2,177	56,211	5,713	82,621
At 1 July 1995	15,482	2,336	35,511	4,713	58,042

To ensure comparability with assets originally purchased by the group, it is appropriate to disclose cost and accumulated depreciation for assets acquired with subsidiary undertakings.

11. TANGIBLE FIXED ASSETS (Continued)

	Freehold Land and Buildings £000	Leasehold Properties £000	Plant & Equipment £000	Total £000
COMPANY				
COST OR VALUATION				
At 1 July 1995				
At l985 valuation	2,341	139	–	2,480
At cost	9,718	1,448	1,365	12,531
	12,059	1,587	1,365	15,011
Additions	–	–	37	37
Transfers to subsidiary undertakings	–	–	(1,225)	(1,225)
Disposals	–	–	(19)	(19)
At 29 June 1996				
At l985 valuation	2,341	139	–	2,480
At cost	9,718	1,448	158	11,324
	12,059	1,587	158	13,804
DEPRECIATION				
At 1 July 1995	871	186	621	1,678
Charge for the year	196	34	26	256
Transfers to subsidiary undertakings	–	–	(549)	(549)
Disposals	–	–	(19)	(19)
At 29 June 1996	1,067	220	79	1,366
NET BOOK VALUE				
At 29 June 1996	10,992	1,367	79	12,438
At 1 July 1995	11,188	1,401	744	13,333

Freehold land and buildings includes non-depreciable land amounting to £6,986,000 (1995 - £4,693,000) in the group and £3,511,000 (1995 - £3,511,000) in the company.

11. TANGIBLE FIXED ASSETS (Continued)

The net book value of leased assets is:

	1996		1995	
	Group	**Company**	**Group**	**Company**
	£000	**£000**	**£000**	**£000**
Rolling stock	43,873	–	21,461	–
Plant and equipment	49	–	–	61
	43,922	–	21,461	61

The cost or valuation amounts are after deducting government grants received of:

	1996	**1995**
	£000	**£000**
New bus grants (S.32 Transport Act 1965)	3,590	3,981
ERDF grant	99	99

The company's properties at 30 June 1985 were revalued at that date by Messrs Healey & Baker, Surveyors and Valuers, on the basis of open market value of existing use. If this had not taken place the historic cost and accumulated depreciation would have been:

	1996		1995	
	Group	**Company**	**Group**	**Company**
	£000	**£000**	**£000**	**£000**
Cost				
Freehold land and buildings	20,366	12,242	17,069	12,415
Leasehold property	2,317	1,442	2,507	1,442
	22,683	13,684	19,576	13,857
Accumulated depreciation				
Freehold land and buildings	2,314	1,809	1,936	1,485
Leasehold property	449	293	361	206
	2,763	2,102	2,297	1,691

The net book value of leasehold property comprises:

	1996		1995	
	Group	**Company**	**Group**	**Company**
	£000	**£000**	**£000**	**£000**
Leases with 50 or more years unexpired	2,178	1,364	2,332	1,397
Leases with less than 50 years unexpired	3	3	4	4
	2,181	1,367	2,336	1,401

12. CAPITAL COMMITMENTS

	1996 Group £000	1996 Company £000	1995 Group £000	1995 Company £000
Contracted	9,098	–	9,092	–
Authorised but not contracted for	2,884	–	776	–
	11,982	–	9,868	–

13. FIXED ASSET INVESTMENTS

	1996 £000	1995 £000
GROUP		
Associated companies	200	100
Listed investment	1	1
	201	101

The associated companies comprise 200,000 ordinary shares of £1 each in Routemaster Reinsurance Limited which is 20% of the issued share capital of the company and a 36% holding in Network Ticketing Limited, at a cost of £360. These have not been equity accounted as they are not material.

At 29 June 1996, the market value of the investment listed on a recognised investment exchange was not materially different from the amount stated in the accounts.

COMPANY

Investments comprise ordinary shares in subsidiary undertakings.

The movements are:

	£000
At 1 July 1995	40,352
Acquisition of Mokett Limited	25,072
At 29 June 1996	65,424

Details of the principal operating subsidiary undertakings are set out on page 36.

13. FIXED ASSET INVESTMENTS (Continued)

On 20 June 1996 the company acquired the whole of the issued share capital of Mokett Limited (whose principal subsidiary is London General Transport Services Limited) for a consideration of £19,034,000 in cash and £5,580,000 in ordinary shares issued at 310p per share. Advantage has been taken of section 131 of the Companies Act 1985 (Note 20).

	Initial book value £000	**Fair value adjustments £000**	**Fair value to Group £000**
Net assets acquired			
Tangible fixed assets	21,317	–	21,317
Fixed asset investments	100	–	100
Stocks	572	–	572
Debtors	3,669	–	3,669
Advance corporation tax recoverable	105	–	105
Cash at bank and in hand	1,525	–	1,525
Bank overdraft	(3,860)	–	(3,860)
Creditors	(6,680)	(584)(a)	(7,264)
Proposed dividend	(93)	–	(93)
Corporation tax	(2,219)	(922)(b)	(3,141)
Advance corporation tax payable	(52)	–	(52)
Hire Purchase obligations	(9,701)	–	(9,701)
Deferred tax	(239)	239 (a)	–
Other provisions	–	(269)(a)	(269)
Preference shares including premium	(2,390)	–	(2,390)
	2,054	(1,536)	518
Consideration paid			24,614
Expenses of acquisition			458
Acquisition cost			25,072
Goodwill arising			24,554

Notes

(a) Adjustment to reflect group accounting policies

(b) Restatement to fair value

The consolidated results for Mokett Limited prior to acquisition are summarised below:

	1 April 96- 20 June 96 £000	**Year to 31 March 96 £000**
Turnover	12,378	52,832
Operating profit	1,686	8,434
Net interest payable	(310)	(3,022)
Profit before taxation	1,376	5,412
Taxation	(241)	(1,420)
Profit for the financial period	1,135	3,992

There are no recognised gains & losses other than the profit for the financial period shown above.

14. DEBTORS

	1996		1995	
	Group £000	**Company £000**	**Group £000**	**Company £000**
Trade debtors	7,173	59	3,749	20
Amounts owed by group undertakings	–	17,419	–	6,175
Other debtors	1,286	134	632	293
Prepayments and accrued income	6,630	1,607	4,649	821
Central Government debtor	973	–	1,117	46
Corporation tax	–	–	–	587
Advance corporation tax recoverable	987	881	438	438
	17,049	20,100	10,585	8,380

Advance corporation tax recoverable of £421,000 (1995 - £292,000) and pension prepayment of £1,242,000 (1995 - £404,000) are recoverable after more than one year.

15. CREDITORS: Amounts falling due within one year

	1996		1995	
	Group £000	**Company £000**	**Group £000**	**Company £000**
Bank loans	2,611	2,611	–	–
Bank overdrafts	298	–	948	145
Obligations under hire purchase and lease finance	10,829	–	5,458	23
Unsecured guaranteed loan notes	5,023	–	–	–
Trade creditors	8,338	1,225	5,663	268
Amounts owed to group undertakings	–	32,695	–	22,474
Corporation tax	5,286	295	1,814	–
Other taxes and social security costs	2,289	15	1,911	51
Other creditors	9,425	21	7,465	308
Accruals and deferred income	9,981	311	5,325	817
Central Government creditor	–	37	126	–
Proposed dividend	1,685	1,685	1,167	1,167
Advance corporation tax payable	642	590	438	438
	56,407	39,485	30,315	25,691

Bank loans and overdrafts are secured by fixed and floating charges over the assets of the Group.

16. CREDITORS : Amounts falling due after more than one year

	1996		1995	
	Group £000	**Company £000**	**Group £000**	**Company £000**
Obligations under hire purchase and lease finance	20,956	–	10,177	40
Bank loans	15,816	15,816	13,715	13,715
Unsecured guaranteed loan notes	–	–	5,023	–
Deferred government grant	198	–	178	–
	36,970	15,816	29,093	13,755
Bank loans repayable:				
Between one and two years	4,938	4,938	2,515	2,515
Between two and five years	10,878	10,878	11,200	11,200
	15,816	15,816	13,715	13,715

The bank loans are secured by fixed and floating charges over the assets of the Group.

17. OBLIGATIONS UNDER HIRE PURCHASE AND LEASE FINANCE

The capital amounts due under hire purchase and lease finance obligations comprise:

	1996		1995	
	Group £000	**Company £000**	**Group £000**	**Company £000**
Due in the next year	10,829	–	5,458	23
Due in the second to fifth years thereafter	20,956	–	10,177	40
	31,785	–	15,635	63

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Vehicle Repairs £000	Deferred Building Repairs £000	Deferred Taxation £000	Total £000
GROUP				
At 2 July 1994	636	868	1,277	2,781
Arising on the acquisition of subsidiary undertakings	1,128	301	–	1,429
Amounts expended	(496)	(164)	–	(660)
Amounts released	(87)	(492)	(1,277)	(1,856)
Amounts provided	305	115	–	420
At 1 July 1995	1,486	628	–	2,114
Arising on the acquisition of subsidiary undertakings	171	98	–	269
Amounts expended	(373)	(169)	–	(542)
Amounts released	(101)	(38)	–	(139)
Amounts provided	77	189	–	266
At 29 June 1996	1,260	708	–	1,968

	Deferred Building Repairs £000	Deferred Taxation £000	Total £000
COMPANY			
At 2 July 1994	80	498	578
Amounts released	(72)	(498)	(570)
At 1 July 1995	8	–	8
Amounts expended	(8)	–	(8)
At 29 June 1996	–	–	–

It is anticipated that there will be no reversal of the net deferred tax timing differences in the foreseeable future and, therefore, no deferred tax provision is required.

The amounts of deferred tax not provided are:

	1996		1995	
	Group £000	Company £000	Group £000	Company £000
Capital allowances in advance of depreciation	2,527	699	1,844	703
Leased assets	648	–	572	(4)
Other timing differences	(38)	493	(542)	227
	3,137	1,192	1,874	926

19. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1996 £000	1995 £000	1996 £000	1995 £000
Ordinary shares of 10p each	6,125	4,500	4,554	3,645

During the year, the authorised share capital was increased by £1,625,000 by the creation of 16,250,000 ordinary shares of 10p each.

On 20 June 1996 1,800,000 ordinary shares were issued at £3.10 per share, as consideration for the acquisition of Mokett Limited. A further 7,290,000 ordinary shares were issued at £2.90 per share under an open offer prior to the acquisition of Mokett Limited.

The company operates share option schemes under which options have been granted to certain executives and to employees under the savings related scheme. At 29 June 1996 there remain unexercised executive options over 462,400 shares exercisable at 16.9375p per share between 1997 and 2001, 240,000 shares at 25p between 1996 and 2003 and 80,000 shares at 25p between 1997 and 2004. In addition, there are unexercised savings related options over 519,012 shares exercisable at 128p per share in 2000, and 596,305 shares exercisable at 236p per share in 2001. 682 shares were issued during the year at 128p per share under the terms of the savings related scheme.

20. SHARE CAPITAL AND RESERVES

	Called up Share Capital £000	Share Premium £000	Revaluation Reserve £000	Other Reserve £000	Profit & Loss Account £000	Total Capital & Reserves £000
GROUP						
At 2 July 1994	3,338	11,054	811	(4,342)	4,453	15,314
Movements during the year						
Retained profit for the year	–	–	–	–	5,763	5,763
Revaluation reserve amortisation	–	–	(20)	–	20	–
Arising on share issues	307	5,037	–	–	–	5,344
Share issue costs	–	(82)	–	–	–	(82)
Goodwill on acquisition	–	–	–	(15,800)	(59)	(15,859)
At 1 July 1995	3,645	16,009	791	(20,142)	10,177	10,480
Movements during the year						
Retained profit for the year	–	–	–	–	6,683	6,683
Revaluation reserve amortisation	–	–	(14)	–	14	–
Arising on share issues	909	20,413	–	5,400	–	26,722
Share issue costs	–	(814)	–	–	–	(814)
Goodwill on acquisition	–	–	–	(24,554)	–	(24,554)
At 29 June 1996	4,554	35,608	777	(39,296)	16,874	18,517

The cumulative amount of goodwill written off at 29 June 1996 is £48,995,000 (1995 - £24,441,000) of which £962,000 (1995 - £962,000) has been written off to profit and loss account and £48,033,000 (1995 - £23,479,000) has been written off against other reserve.

20. SHARE CAPITAL AND RESERVES (Continued)

	Called up Share Capital £000	Share Premium £000	Revaluation Reserve £000	Other Reserve £000	Profit & Loss Account £000	Total Capital & Reserves £000
COMPANY						
At 2 July 1994	3,338	11,054	811	–	2,710	17,913
Movements during the year						
Profit for the financial year	–	–	–	–	1,226	1,226
Dividends	–	–	–	–	(1,750)	(1,750)
Revaluation reserve amortisation	–	–	(20)	–	20	–
Arising on share issues	307	5,037	–	–	–	5,344
Share issue costs	–	(82)	–	–	–	(82)
Goodwill on acquisition	–	–	–	–	(31)	(31)
At 1 July 1995	3,645	16,009	791	–	2,175	22,620
Movements during the year						
Profit for the financial year	–	–	–	–	5,227	5,227
Dividends	–	–	–	–	(2,359)	(2,359)
Revaluation reserve amortisation	–	–	(14)	–	14	–
Arising on share issues	909	20,413	–	5,400	–	26,722
Share issue costs	–	(814)	–	–	–	(814)
At 29 June 1996	4,554	35,608	777	5,400	5,057	51,396

In accordance with the exemption allowed by S.230 Companies Act 1985 the company has not presented its own profit and loss account.

The cumulative amount of goodwill written off to profit and loss account at 29 June 1996 is £211,000 (1995 - £211,000).

21. ANNUAL COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES AND RENTING AGREEMENTS

Operating leases and renting agreements which expire:

	1996		1995	
	Property £000	Plant and Equipment £000	Property £000	Plant and Equipment £000
GROUP				
Within one year	28	37	–	–
In the second to fifth years inclusive	92	45	–	12
Over five years	168	–	118	–
	288	82	118	12
COMPANY				
Within one year	28	–	–	–
Over five years	58	–	29	–
	86	–	29	–

22. PENSION COMMITMENTS

The group operates one main scheme, the group pension plan, which consists of final salary and money purchase sections. The group plan is funded by the payment of contributions to a separately administered trust fund in accordance with the advice of independent qualified actuaries. The latest actuarial information is as follows:

Date of actuarial review	5 April 1996
Actuarial assumptions:	
Investment return	9% p.a.
Pay growth	6.5% p.a.
Pension increase	4.25% p.a.
Dividend growth	4.5% p.a.
Market value of assets	£82,519,000
Funding level	121.5%
Actuarial method	Projected unit credit

The current group overfunding is being corrected by reducing the employer's contribution rate in the final salary sections. At 29 June 1996 the balance sheet includes a prepayment of £1,380,000 (1995 - £449,000.

The principal subsidiary of Mokett Limited, London General Transport Services Limited, operates its own defined benefit pension scheme. This scheme came into operation on 2 November 1994 and the independent qualified actuary to that scheme considered that at the date there was no material surplus or deficit.

23. POST BALANCE SHEET EVENTS

On 2 September 1996, the company entered into a shareholders' agreement with the management of Thames Trains Limited to form the basis of the company's proposed 65% equity shareholding in Victory Railway Holdings Limited. On 18 September 1996, Victory Railway Holdings was awarded the seven year passenger rail franchise to purchase and operate Thames Trains Limited. On the same date, the company entered into an underwritten placing agreement for the issue of 2,277,000 shares at 305p to provide funding for the new venture.