

Financial Highlights

	1994 £000	1993 £000	% Change
TURNOVER	61,400	49,264	+24.6
PROFITS			
Operating profit before exceptionals	4,479	2,868	+56.2
Profit before taxation	2,865	315	+809.5
Earnings per share	8.2p	1.5p	+446.7
BALANCE SHEET			
Capital expenditure	7,611	5,018	+51.7
Tangible fixed assets	31,870	16,701	+90.8
Net cash & cash equivalents	3,543	4,846	-26.9
Net borrowings	9,270	6,352	+45.9
Net assets	15,314	8,872	+72.6
FINANCIAL RATIOS			
Operating profit before exceptionals as % of turnover	7.3%	5.8%	+25.3
Return on average net assets	16.2%	3.7%	+337.8
Gearing ratio	60.5%	71.6%	-15.5
Net assets per share	45.9p	40.3p	+13.9
Net cash flow available for investment per share	31.8p	9.9p	+221.2

FIVE YEAR HIGHLIGHTS

	Turnover £million	Operating Profit £million	Profit before tax £million	Earnings per share pence
1994	61.4	4.5	2.9	8.2
1993	49.3	2.9	0.3	1.5
1992	47.2	2.6	2.4	8.4
1991	44.1	2.7	2.6	9.4
1990	45.3	(0.2)	(1.4)	(8.7)

Shareholder Information

Shareholder Analysis

RANGE OF HOLDINGS	No of holders	%	Shares held 000	%
1 – 10,000	462	73.8	494	1.5
10,001 – 100,000	116	18.6	4,788	14.3
100,001 – 500,000	35	5.6	8,390	25.1
500,001 – 1,000,000	6	1.0	4,441	13.3
Over 1,000,000	6	1.0	15,265	45.8
	<hr/> 625	<hr/> 100.0	<hr/> 33,378	<hr/> 100.0

CLASSIFICATION ON SHAREHOLDERS	No of holders	%	Shares held 000	%
Individuals	530	84.7	16,464	49.3
Trusts & pension funds	1	0.2	17	0.1
Banks & nominees	78	12.5	15,874	47.5
Insurance companies	3	0.5	81	0.2
Other institutions	13	2.1	942	2.9
	<hr/> 625	<hr/> 100.0	<hr/> 33,378	<hr/> 100.0

Chairman's Statement

The year has been one of notable success for the group. 1994 has seen it continue to improve its operating margin, expand its operations nationally and, through a successful flotation, develop a capital structure which will enable it to continue its strategy to expand its operations further into other urban areas within the UK by way of acquisition.

The operating profit before exceptional costs of £4.5 m (1993 £2.9m) is 12% greater than that forecast at the time of the flotation of the company. The profit on ordinary activities before taxation of £2.9m (1993 £0.3m) is similarly some 25% ahead of that forecast. Costs in the North East companies were lower than forecast mainly as a result of increased productivity and lower fuel and net interest charges.

Brighton & Hove Bus and Coach Company was acquired in November 1993 and its results do not include the peak season profits. The Oxford Bus Company was acquired in March 1994. The group's results for next year will include full year contributions from them.

As originally stated in the listing particulars, it is not intended that any dividend will be declared until the interim dividend in respect of the year to 1 July 1995. This will be paid in April 1995.

Acquisition of London Central

The company has entered into a conditional agreement to acquire the whole of the issued share capital of London Central Bus Company Limited for a cash consideration of £20.0m. Intra group loans of £3.8m will also be repayable on completion. The acquisition will be financed via the utilisation of a £25m secured loan facility which is repayable over a five year period.

London Central, one of the ten London bus subsidiaries being privatised by HM Government is a principal provider of local bus services in South East and Central London. It operates an extensive network of bus services principally within the Boroughs of Bexley, Lewisham and Southwark and Central London. The company employs over 1600 people and operates a fleet of just under 500 buses in an urban area which has limited competing public transport and a high level of bus usage.

London Central's established operating network and successful commercial record will enable it to consolidate its strong presence in South East London following privatisation and to explore opportunities for expansion elsewhere in London and the adjoining county of Kent. The acquisition will further strengthen the group's nationwide presence in urban areas.

In the year ended 31 March 1994 London Central generated profit on ordinary activities before taxation of £2.5m on turnover of £40.6m. Net assets as at 31 March 1994 were £8.7m. The directors anticipate that the acquisition will be earnings enhancing in the current year.

The acquisition is of a size which requires the shareholders approval under the Listing Rules of the London Stock Exchange. A circular containing details of the acquisition will be dispatched to shareholders on 23 September 1994. An Extraordinary General Meeting will be convened on 17 October 1994 seeking shareholder approval for the acquisition.

Management Structure

The group has a highly devolved management structure. Managers and staff in local bus companies are largely responsible for the continuing fortunes of those companies subject only to group benchmarking, auditing and target setting activities. Each of the companies, therefore, continues to adopt policies which are appropriate to its own local market. This provides for a highly resilient and focused group of semi - autonomous businesses. It is intended that London Central will operate as a semi - autonomous unit in common with other subsidiaries in the group.

North East Companies

The North East bus businesses continue to improve profit margins. Further exceptional costs have been incurred in payments to longer serving staff in exchange for their adopting more competitive terms and conditions. This together with continued investment in new vehicles has permitted further reductions in operating costs.

Southern Companies

The Brighton and Oxford acquisitions have been successfully integrated into the group and are performing to target. Both companies serve very different markets from those in the North East. They are similar, however, in serving densely populated urban areas with very significant passenger flows. There is a good deal of synergy, therefore, in the planning and administration of the businesses, although the marketing plans are quite distinct.

Other Activities

Other group businesses continued to trade profitably in the year. The Metro Taxis operation has been re-structured to take account of the recent changes to the regulation of taxis in the City of Newcastle. The Go-Ahead Leisure subsidiary has benefited from the recruitment of a specialist from a major brewer. Voyager Coaches has further consolidated its position as a quality coaching company.

Developments

The group continues to lead the way in the industry with projects for low emission exhaust systems on buses, super low floor bus services and automatic vehicle location systems to monitor bus movements and forecast their bus stop arrival times for the benefit of waiting passengers.

Most of the group's vehicles have now been fitted with radio links to local, supervisory control points. The group is further re-equipping with new vehicles and new electronic ticket systems as part of its planning to reduce unit costs of operation.

Financing

As part of the successful flotation of the company in May 1994 some £12m of new money was raised to repay bank borrowings. Since the flotation a facility of £25m has been arranged with Hill Samuel which will be used to fund the acquisition of London Central.

Financing of new vehicle stock continues to be sourced via self-generated funds and short term leases. In addition to any further acquisitions, vehicle replacements for the existing businesses will exceed 220 buses and coaches in the next three years. Orders are currently being placed for these replacements.

Strategy

The group is firmly focused on urban public transport. It will continue to seek opportunities where significant margin growth can be obtained by benchmarking and implementing the group management philosophy in the acquired company. The acquisitions of Brighton, Oxford and London Central are a key element in this acquisition strategy.

The group is actively pursuing other acquisition opportunities in urban public transport in the bus industry. Opportunities are also expected to arise from the franchising of rail passenger services and the introduction of private capital into other urban rail based networks.

Prospects

The group continues to improve operating margins and is working towards a longer term operating margin target of 15%. Trading in the current year has started well and a full year contribution from the Southern bus companies and the significant action plans of the managers in the North East bus companies should ensure continued strong progress.

Financial & Operating Review

INTRODUCTION

This review has been prepared in accordance with the Accounting Standards Board's statement, issued in July 1993, on the operating and financial review.

FINANCIAL REVIEW

The group accounts include part year contributions from the Brighton & Hove Bus and Coach Company (acquired in November 1993) and the Oxford and Wycombe Bus Companies (acquired in March 1994).

The group raised over £12m from a Placing of its shares on the London Stock Exchange on 9 May 1994.

Trading Results

The group's turnover has shown an overall increase of 25% with profit before exceptional items increasing by 56%. The increase in turnover is due entirely to the two acquisitions. The operating margin of the original North East businesses has grown from 5.3% to 7.5%, an increase of some £0.8m. The improvement has been achieved through cost savings in each subsidiary company. Coupled with these improvements in cost-effectiveness, the subsidiary companies have embarked on programmes to improve the quality of service delivered to the customer with some notable results.

Exceptional operating costs of £1m (1993 – £2.3m) comprise one-off payments to the employees' discretionary trust, redundancy payments and payments to secure changes to terms and conditions of employment.

The operating margin of 6.6% of the acquired companies excludes the summer seasonal contribution which will ensure a significant improvement in margin in a full year.

Programmes to reduce overhead costs were implemented immediately on acquisition in each of the companies and both are now on course to meet their required targets.

The group's corporate planning, vehicle replacement programme, the benchmarking systems and the improved purchasing arrangements continue to improve cost-effectiveness in the subsidiary companies.

Interest charges of £0.9m (1993 – £0.5m) reflect the borrowings made to purchase the two acquisitions. These borrowings were extinguished by the proceeds of the Placing.

Taxation

The group's effective tax rate was 32%. The change in the deferred taxation credit reflects ongoing capital expenditure and movements in repair provisions.

Earnings per Share and Dividends

Earnings per share for the year ended 2 July 1994 were 8.2p, up from 1.5p in the previous year.

No dividend will be payable in respect of this year. It is intended that an interim dividend will be paid in April 1995 in respect of the year to 1 July 1995.

Cashflows and Financing

Both the urban bus businesses and the non-core businesses are strongly cash-generative. Even after exceptional costs of £1m, the gross operating cashflow (operating profit plus depreciation) of £7.5m (1993 – £3.7m) enabled the group to continue its policy of targeted vehicle replacement. Some 47 vehicles were delivered in the year in response to individual investment proposals from the subsidiary companies. All capital expenditure, including buses, is subject to an investment hurdle rate of 17%, ensuring the group's continued development towards its operating margin target.

The decrease of £1.3m in cash and cash equivalents is a function of the acquisitions and the costs of the Placing. These one-off outflows disguise the underlying cash strength of the group, even after the substantial capital expenditure and exceptional costs in the year.

Some of the capital expenditure was financed by sale and leaseback arrangements on short term (5-year) leases. After accounting for new finance and repayments, total leasing debts have increased by £2.9m, entirely due to taking on leasing debts of £3.1m from the acquisitions.

With only leasing debt, gearing is at 61%. A facility of £25m has since been arranged with Hill Samuel to allow for the planned acquisition of London Central Bus Company.

Balance Sheet

The Balance Sheet reflects the acquisitions made during the year. The written down value of the Fixed Assets has almost doubled in value, mainly arising from the acquisitions and the shareholders' funds have increased substantially in consequence of the Placing. Goodwill on the acquisitions has been written off against the Other Reserve.

Working Capital requirements from the acquisitions have been minor. Moreover, as noted in the Directors Report for the year to 3 July 1993, escalating insurance costs resulted in the group changing its insurance arrangements. The consequent change in risk management has improved the claims performance and the cash flow.

OPERATING REVIEW

North East Bus Businesses

Group subsidiaries recognise that the bus will not compete effectively with the private motor-car unless it is perceived as good value for money and of a sufficiently high quality.

Although new vehicle purchases can assist in both of these areas, taken alone they will not give the improvements needed, and in some cases, the sheer financing cost of the new vehicle will be too great for some less well-patronised markets.

North East subsidiaries have therefore concentrated on reducing unit costs by reducing non-direct costs in engineering, supervisory management and administration, while reducing direct labour costs to local market levels by

“buying out” inherited terms and conditions. There are now only some 129 out of 1600 drivers in the North East still on the uncompetitive terms and conditions.

The drive to reduce non-direct costs has resulted in the Northern General subsidiary closing its Consett depot. There has been no loss of service to the customer but significant property and staffing costs have been eliminated.

New technology is playing its part and the year has seen the introduction of further cash deposit machines (reducing expensive cash counting procedures for drivers and clerical staff), and computer-based scheduling (improving the cost-effectiveness and speed of a very time-consuming function).

Bus maintenance and servicing are principally undertaken at each subsidiary company. A residual small central resource, Quality Bus Engineering (QBE), competes effectively with external workshops for the overhaul of vehicle units, accident repairs and vehicle repainting. QBE undertakes central purchasing and supply to achieve the benefits of group buying power. This supplies function is also open to external market competition. To compete effectively, QBE staff reduced unit costs substantially. Simultaneously, QBE gained its BS5750-ISO9002 accreditation and is now widely used by other vehicle operators in the area. BS5750 was previously gained by the group's marketing and training department.

BS5750 accreditation was also gained by the VFM subsidiary, based in South Tyneside, only the third bus company to achieve this standard in the UK. Simultaneous cost savings were made by the introduction of new vehicles and the closure of Jarrow bus station. VFM has also been active in the Investors in People programme in conjunction with the local Tyneside TEC. Currently, 15% of VFM operational staff are trained to NVQ standards.

NVQs have also been introduced for supervisory staff in Go-Ahead Gateshead. This subsidiary has used new vehicles as part of an overall marketing package. Routes are modified and branded with their own identities, staff are trained and customers targeted with sales literature. Against the trend, Go-Ahead Gateshead has seen passenger stabilisation and revenue growth, despite significant competition. The new packages are put on the market in conjunction with internal productivity improvements.

Go-Ahead Gateshead is also the subsidiary used by the group to test out the latest pollution-free exhaust systems. If the bus is to be seen as a realistic competitor to the car, it must be a ‘clean’ user of city streets. More cost effective forms of converters are now becoming available and there will therefore be more opportunities to participate in this technology.

The bus of the future will not be one which is difficult to board, especially for the elderly and those with disabilities. The group is experimenting in conjunction with the Department of Transport and the local authority with a route using specially designed low-floor buses. The CoastLine

subsidiary was chosen from a number of competing proposals throughout the UK for the introduction of a low-floor route. A popular service in North Tyneside has been selected for the experiment.

CoastLine operates in an area where employment opportunities are declining. Unit costs have been reduced to live within the community's ability to pay.

New vehicles were also introduced by the Wear Buses subsidiary during the year.

Together with supervisory management changes and staff motivation, the investment helped to ease the competitive position substantially in the Sunderland area. Wear Buses is showing a steady improvement in its service delivery.

Southern Bus Businesses

The Brighton & Hove Bus and Coach Company introduced revised fares structures immediately following acquisition by the group. Market share has been regained, the competitive activity has reduced and profitability has been retained. Shortly thereafter, the subsidiary introduced improved productivity arrangements for operating staff and reduced fifteen overhead posts. It is expected to achieve its target in the current year.

The Oxford and Wycombe Bus companies have only been in group ownership for three months to the year end. In that time, a level of middle management has been removed and the engineering function has been drastically reorganised. New computing and accounting systems are being introduced and modern electronic ticket machines are being acquired. The whole service network is being repackaged and marketed as a series of brands. New vehicles are on order and radio communications are shortly to be introduced. In brief, the subsidiary will soon re-emerge as a modern, urban bus operator. Market share is expected to increase.

The Public Houses

Refurbishment is also very much a part of the development of public houses. Over five years of ownership, Go-Ahead Leisure has selectively improved its estate in conjunction with the tenants' plans and investments. Following extensive market research, Go-Ahead Leisure, under a new specialist Director and General Manager, is now refurbishing an outlet selected because of its untapped potential. The company does not capitalise the costs of refurbishment but writes them off in the year.

Metro Taxis

Contrary to the general trend, Newcastle City Council has allowed existing Newcastle taxi plate holders to revert from purpose-built vehicles to saloon cars. New plates (W-plates) are now allowed without restriction as long as the W-plate holder allies his plate with a purpose-built cab.

The effect has been to denude Newcastle of purpose-built cabs and drive up the value of the original plates! Metro Taxis has changed its planning considerably as a

Financial & Operating Review

consequence but is well positioned to benefit both in the short and long term.

Voyager Coaches

In reducing its programme of low-margin excursions and tours, Voyager has been able to slim its overheads and concentrate on more profitable coaching business. The company continues to be a provider of service contracted through the National Express network and its costs of operation, coupled with high vehicle utilisation, enable profitability to be maintained.

MANAGEMENT

The group is recognised within the industry as having a very devolved management structure. Local Directors and General Managers of the subsidiary companies are empowered to achieve the agreed targets for the subsidiary companies they control. Such a structure gives a very satisfying environment for career-minded executives and the group is consequently a leader in its executive recruitment and training programmes.

Group directors are therefore freed up to concentrate on target-setting, monitoring and audit of the subsidiaries and to develop the group strategy of being a leading urban public transport provider.

Board Of Directors & Advisors

DIRECTORS

Sir Michael Straker (66) is Non-Executive Chairman. He was chairman of Northumbria Water Group plc throughout its privatisation and flotation and remains a non-executive director. He is also a director of Northumbrian Water Limited, The Port of Tyne Authority and the Water Services Association.

Martin Ballinger (50) 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.

Christopher Moyes (45) is Commercial Director. He has been responsible for the marketing and operational side of the business since 1982.

Trevor Shears (49) is Finance Director and Company Secretary. He has been responsible for the finance and company secretarial functions of the group since 1979. He is a Chartered Accountant.

ADVISORS

Financial Advisors

Hill Samuel Bank Limited
100 Wood Street
London EC2P 2AJ

Stockbrokers

Panmure Gordon & Co
Limited
New Broad Street House
35 New Broad Street
London EC2M 1NH

Wise Speke Limited
Commercial Union House
39 Pilgrim Street
Newcastle NE1 6RQ

Registrars

Lloyds Bank plc
Lloyds Bank Registrar
The Causeway
Worthing
West Sussex BN99 6DA

ADVISORS

Auditors

Ernst & Young
Chartered Accountants
Norham House
12 New Bridge Street West
Newcastle NE1 8AD

Solicitors

Dickinson Dees
Cross House
Westgate Road
Newcastle NE99 1SB

Principal Bankers

Hill Samuel Bank Limited
100 Wood Street
London EC2P 2AJ

Lloyds Bank plc
Grey Street
Newcastle NE99 1SL

Report Of The Directors

FOR THE YEAR TO 2 JULY 1994

The directors present their report and audited accounts for the year to 2 July 1994.

Activities

The company is the parent undertaking of a group which operates buses, coaches and taxis in the North East of England, Brighton and Oxford. The group also owns and controls a number of public houses in the North East of England.

Trading

The profit and loss account appears on page 15. The directors propose that no dividend be paid and that the profit for the year of £1,957,000 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 and operating review on pages 4 to 9.

Fixed Assets

The changes in fixed assets during the year are summarised in the notes to the accounts. 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 adjusted as if the scrip issue on 27 April 1994 had taken place in the previous year of the company were:

	1994 No	1993 No
Sir Michael Straker		
Beneficial	164,256	219,024
M. S. A. Ballinger		
Beneficial	4,077,712	5,389,712
C. Moyes		
Beneficial	3,523,152	5,302,352
Non-beneficial	86,400	—
T. H. Shears		
Beneficial	3,804,800	5,372,800

Mr P. J. Harmer resigned as a director on 31 March 1994. There have been no changes since the year end.

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

No director had any interest in the shares of any subsidiary during the year except Mr Ballinger who acts as nominee for the company with one share in various of the subsidiaries.

Major Interests

On 15 September 1994, Barclays Nominees (Gracechurch) Limited held 1,750,000 ordinary shares (5.2% of the ordinary share capital), Nutraco Nominees Limited held 1,988,500 (6.0%) and Robert Fleming Nominees Limited held 1,070,000 (3.2%). No other person was recorded as having in excess of 3% on that date.

Close Company Status

The company is not a close company within the meaning of the provisions of the Income and Corporation Taxes Act 1968.

Management and Staff

There are three approved share option schemes in existence intended to enable managers and staff to share in the prosperity of the group. The new Executive and Savings Related schemes are approved but no options have yet been granted under them.

The original executive scheme continues with no further grants after 27 April 1994. Two new options have been granted since the last report and there remain unexercised options over 782,400 shares at the date of this report; 462,400 at 16.9375p between 1997 and 2001, 240,000 at 25p each between 1996 and 2003 and 80,000 at 25p each between 1997 and 2004.

A discretionary trust was established in February 1992 to provide benefits to employees generally at the discretion of the trustees. The trustees are the executive directors and one of the company's legal advisors. In the year the company has paid £200,000 (1992/93 – £485,000) to the trust. It has used these funds to acquire shares in the company representing some 6.6% of the then issued share capital. These were all sold as part of the Placing and the proceeds (net of tax) distributed to current employees according to length of service with the group.

It is the company'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 company.

The company 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 company supports events in the North East community in which its employees participate. The company

Report Of The Directors

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

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 £55,000 (1993 – £51,000).

Post Balance Sheet Event

The company has entered into a conditional agreement to acquire the whole of the issued share capital of London Central Bus Company Limited on 22 September 1994 for cash consideration of £20.0m and repay intra group loans of £3.8m. The acquisition will be financed via the utilisation of a £25m secured loan which is repayable over five years.

Auditors

A resolution proposing to re-appoint Ernst & Young as auditors will be submitted at the annual general meeting.

By Order of the Board

T. H. Shears

Secretary

22 September 1994

Corporate Governance

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

The Board

The Board currently comprises one non-executive director and three 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.

At the start of the year the company had two non-executive directors which was appropriate for its position as a private company. Mr Harmer resigned on 31 March 1994 because as a retired executive of the company it was felt inappropriate for him to continue as a director of a public limited company. The company is presently seeking a second non-executive to join Sir Michael Straker. The new non-executive will join the Audit and Remuneration Committees immediately upon being appointed to the Board.

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 as well as monitoring 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

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.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF BEST PRACTICE

In December 1992 the Committee on the Financial Aspects of Corporate Governance (the "Cadbury Committee") published a 'Code of Best Practice' regarding Corporate Governance. As part of the Listing Rules for companies listed on the London Stock Exchange, directors are required to report whether they are complying with the Code of Best Practice and, where they are not complying, to give details of and reasons for the non-compliance and to state for which part of the period the non-compliance occurred.

The Cadbury Committee recognised that two of the matters in the Code of Best Practice could not be complied with until appropriate guidance had been developed. These two matters are that the directors should report on the effectiveness of the company's system of internal control and that they should report that the business is a going concern, with supporting assumptions or qualifications as necessary. Such guidance has not yet been finalised and, accordingly, directors are unable at the present time to report in relation to internal controls and going concern.

With the exception of the following matters, the directors consider that they have fully complied since the company obtained its listing on the London Stock Exchange:

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

Paragraph 3.3 of the Code recommends that the Board should establish a Remuneration Committee consisting of wholly or mainly non-executive directors.

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

The Board has not felt it necessary for the company to have more than two non-executive directors.

The company's auditors, Ernst & Young, have reviewed the above statement insofar as it relates to the paragraphs of the Code specified by the London Stock Exchange for their review. They have reported to us that, based on their review, they concur with the above statement.

Statement Of Directors' Responsibilities

I N R E S P E C T O F T H E A C C O U N T S

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;

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.

Report Of The Auditors

T O T H E M E M B E R S O F T H E G O - A H E A D G R O U P P L C

We have audited the accounts on pages 15 to 37 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 pages 19 and 20.

Respective responsibilities of directors and auditors

As described on page 13 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 2 July 1994 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

22 September 1994

Group Profit & Loss Account

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

	NOTES	1994		1993 (53 weeks restated)	
		£000	£000	£000	£000
TURNOVER	(2)				
Continuing operations					
Ongoing			48,490		49,264
Acquisitions			12,910		—
			<u>61,400</u>		<u>49,264</u>
Other operating income	(3)		1,104		843
			<u>62,504</u>		<u>50,107</u>
OPERATING COSTS	(3)	(58,025)		(47,239)	
Exceptional operating costs	(4)	<u>(1,006)</u>		<u>(2,347)</u>	
			<u>(59,031)</u>		<u>(49,586)</u>
OPERATING PROFIT	(3)				
Continuing operations					
Ongoing		2,757		521	
Acquisitions		<u>716</u>		<u>—</u>	
			3,473		521
Interest receivable & similar income	(8)		276		321
			<u>3,749</u>		<u>842</u>
Interest payable & similar charges	(9)		<u>(884)</u>		<u>(527)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(2)			2,865	
315					
Taxation on profit on ordinary activities	(10)		<u>(908)</u>		<u>11</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	(12)			£1,957	
£326					
EARNINGS PER SHARE	(11)		<u>8.2p</u>		<u>1.5p</u>
STATEMENT OF RECOGNISED GAINS & LOSSES					
Profit for the financial year			1,957		326
Prior year adjustment	(13)		611		—
Share issue costs			<u>(863)</u>		<u>—</u>
			<u>£1,705</u>		<u>£326</u>

Group Balance Sheet

A S A T 2 J U L Y 1 9 9 4

	NOTES	1994		1993 (restated)	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible Fixed Assets	(14)		31,870		16,701
Investments	(16)		1		—
			<u>31,871</u>		<u>16,701</u>
Ongoing					
CURRENT ASSETS					
Stocks		1,571		918	
Debtors		(17)	4,360		2,409
Investments	(18)	2,985		4,413	
Cash at bank & in hand	(18)	558		433	
		<u>9,474</u>		<u>8,173</u>	
CREDITORS – Amounts falling due within one year					
Obligations under finance leases	(19)	(3,054)		(1,768)	
Trade & other creditors	(20)	(13,241)		(8,165)	
Corporation Tax		(509)		—	
		<u>(16,804)</u>		<u>(9,933)</u>	
NET CURRENT LIABILITIES			<u>(7,330)</u>		<u>(1,760)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				24,541	
14,941					
CREDITORS – Amounts falling due after more than one year					
Obligations under finance leases	(19)	(6,216)		(4,584)	
)					
PROVISIONS FOR LIABILITIES & CHARGES(21)		(2,789)		(1,485)	
ACCRUALS & DEFERRED INCOME					
Deferred Government Grant		(222)		—	
		<u>(9,227)</u>		<u>(6,069)</u>	
TOTAL ASSETS LESS LIABILITIES			<u>£15,314</u>		<u>£8,872</u>
CAPITAL & RESERVES					
Called up share capital	(12&22)		3,338		138
Share premium	(12)		11,054		36
Revaluation reserve	(12)		811		918
Capital redemption reserve	(12)		—		5
Other reserve	(12)		(4,342)		3,337
Profit & loss account	(12)		4,453		4,438
			<u>£15,314</u>		<u>£8,872</u>

M. I. B. Straker Director

T. H. Shears Director

22 September 1994

Balance Sheet

A S A T 2 J U L Y 1 9 9 4

	NOTES	1994		1993	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible Fixed Assets	(14)		10,773		3,344
Investments	(16)		11,534		805
			<u>22,307</u>		<u>4,149</u>
CURRENT ASSETS					
Debtors		(17)	10,820		4,505
Investments		2,985		4,413	
Cash at bank & in hand		234		394	
		<u>14,039</u>		<u>9,312</u>	
CREDITORS – Amounts falling due within one year					
Obligations under finance leases	(19)	(14)		(13)	
Trade & other creditors	(20)	(17,829)		(9,409)	
		<u>(17,843)</u>		<u>(9,422)</u>	
NET CURRENT LIABILITIES			<u>(3,804)</u>		<u>(110)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				18,503	
CREDITORS – Amounts falling due after more than one year					
Obligations under finance leases	(19)	(12)		(25)	
PROVISIONS FOR LIABILITIES & CHARGES			<u>(578)</u>	<u>(546)</u>	
			(590)		(571)
TOTAL ASSETS LESS LIABILITIES			<u>£17,913</u>		<u>£3,468</u>
CAPITAL & RESERVES					
Called up share capital	(12&22)		3,338		138
Share premium	(12)		11,054		36
Revaluation reserve	(12)		811		918
Capital redemption reserve	(12)		–		5
Profit & loss account	(12)		2,710		2,371
			<u>£17,913</u>		<u>£3,468</u>

M. I. B. Straker Director

T. H. Shears Director

22 September 1994

Group Statement Of Cash Flows

FOR THE YEAR TO 2 JULY 1994

	NOTES	1994		1993 (53 weeks restated)	
		£000	£000	£000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES		(3)		9,003	
3,471					
RETURNS ON INVESTMENTS & SERVICING OF FINANCE					
Interest received		276		321	
Interest paid		(280)		(19)	
Charges arising on finance leases		(604)		(508)	
Net cash outflow from returns on investments & servicing of finance			(608)		(206)
			8,395		3,265
TAXATION					
Corporation tax paid			(837)		(1,098)
			7,558		2,167
INVESTING ACTIVITIES					
Purchase of subsidiary undertakings (18)	(13,829)			(16)	
Payments to acquire intangible fixed assets			–		(1)
Payments to acquire tangible fixed assets	(7,611)			(5,018)	
Government grant received	227			–	
Receipt from sale of investment	42			–	
Receipts from sales of tangible fixed assets			367		667
Net cash outflow from investing activities			(20,804)		(4,368)
NET CASH OUTFLOW BEFORE FINANCING			(13,246)		(2,201)
FINANCING					
Issue of ordinary share capital (12)	13,027			5	
Share issue costs (12)	(863)			–	
Receipts from sale & leaseback arrangements	(19)	2,382			4,303
Capital repayments on finance leases (19)	(2,603)			(1,637)	
Net cash inflow from financing			11,943		2,671
(DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS (18)		£ (1,303)			£470

Notes To The Accounts

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

1. Accounting Policies

(a) 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.

(b) BASIS OF CONSOLIDATION

The group accounts incorporate the accounts of the company and each of its subsidiary undertakings for the year to 2 July 1994.

The group profit and loss account includes the results of Deepbourne Limited and its subsidiaries for the thirty-three week period from their acquisition on 17 November 1993 and also the results of Grandforce Limited and its subsidiaries for the eighteen week period from their acquisition on 1 March 1994. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

(c) 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.

(d) LEASED ASSETS

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the group are capitalised. The capital element of the related rental obligations is included in creditors. The Interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge. Rentals in respect of all other leases are charged on a straight line basis to the profit and loss account.

(e) DEPRECIATION

Land and non-industrial properties are not depreciated. It is group policy to maintain the portfolio of non-industrial properties to such a standard that the estimated residual value (based on prices prevailing at the time of acquisition) exceeds the net book value in the accounts. Any future diminution in value will be provided for through the profit and loss account. The cost (after deducting certain capital grants) or valuation of other tangible assets including assets held under finance leases is depreciated over the expected useful lives of the assets as follows:

Freehold buildings

2% per annum of cost or valuation

Leasehold property

The greater of 2% per annum of cost or

valuation or such proportion of the cost valuation as to write cost or valuation of

or off the over the remainder the lease

Rolling stock

25% per annum of net book value at previous year end or cost in the year of acquisition

Plant & equipment

Between 10% and 20% of cost per annum

Fixtures & fittings

on licensed premises (included within Plant & equipment)

25% per annum of net book value at previous year end.

(f) GOODWILL

The excess of the fair value ascribed to the net tangible assets of subsidiary undertakings at the date of acquisition over the purchase consideration is treated as an other reserve.

The excess of the purchase consideration for assets acquired over the fair value of these assets, is written off against reserves.

(g) STOCKS

Stocks which comprise fuel, vehicle spares and consumables are valued at the lower of average unit cost or net realisable value after making due provision for obsolescence.

(h) 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.

(i) DEFERRED TAXATION

Deferred taxation is provided, using the liability method, on all timing differences 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.

(j) PENSION BENEFITS

Pension benefits are funded over the employees' 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. Turnover & Segmental Analysis

Turnover represents the amounts, stated net of value added tax, derived from road passenger transport and sales of brewery and allied products which are the group's ordinary activities, all of which are in the U.K. and are continuing.

Turnover, profit on ordinary activities before tax and net assets are analysed as follows:

	1994	1993 (53 weeks restated)
	£000	£000
TURNOVER		
Road passenger transport (including acquisitions)		60,026
47,831		
Sales of brewery & allied products	1,374	1,433
	<u>£61,400</u>	<u>£49,264</u>
Profit on ordinary activities before taxation		
Road passenger transport (including acquisitions)		3,291
291 Sales of brewery & allied products	182	230
	<u>3,473</u>	<u>521</u>
Net interest payable	608	206
	<u>£2,865</u>	<u>£315</u>
NET ASSETS		
Road passenger transport (including acquisitions)		11,826
4,094 Sales of brewery & allied products	(201)	(217)
	<u>11,625</u>	<u>3,877</u>
Unallocated net assets	3,689	4,995
	<u>£15,314</u>	<u>£8,872</u>
Total net assets		
UNALLOCATED NET ASSETS COMPRISE:		
Head office freehold buildings	145	149
Other fixed asset investment	1	—
Current asset investment	2,985	4,413
Cash at bank & in hand	558	433
	<u>£3,689</u>	<u>£4,995</u>

Notes To The Accounts

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

3. Operating Profit

a. Other operating income includes rent receivable of £250,000 (1993 - £247,000) and £224,000 relating to acquisitions.

b. Operating profit is arrived at after charging/(crediting):

	1994	1994	1994	1993 (53 weeks restated)
	Ongoing £000	Acquisitions £000	Total £000	£000
Materials & consumables	11,315	2,469	13,784	11,827
Fuel duty reimbursement (S.92 Finance Act 1965)	(4,532)	(774)	(5,306)	(4,386)
External charges	6,480	1,450	7,930	5,595
Auditors remuneration –				
Audit fees	49	26	75	42
Non-audit services	93	–	93	29
Staff costs -				
Wages, salaries & expenses	26,023	7,092	33,115	27,495
Social security costs	2,064	550	2,614	2,254
Other pension costs	1,175	584	1,759	1,223
Depreciation - Owned assets	1,432	279	1,711	1,604
Depreciation - Leased assets	1,654	613	2,267	1,525
Operational leasing & renting charges –				
Property	2	15	17	61
Other	–	7	7	10
Profits on disposal of tangible assets	(14)	(27)	(41)	(40)
Operating costs	<u>£45,741</u>	<u>£12,284</u>	<u>£58,025</u>	<u>£47,239</u>
Exceptional operating costs (see note 4)	<u>£872</u>	<u>£134</u>	<u>£1,006</u>	<u>£2,347</u>

Expenses of acquisition include non-audit services of £16,000 (1993 - nil). Non-audit services of £204,000 have been set against share premium in relation to expenses regarding the issue of share capital.

The comparative figures have been adjusted to take account of the prior year adjustment (Note 13).

c. Reconciliation of operating profit to net cash inflow from operating activities is:

	1994	1993 (53 weeks restated)
	£000	£000
Group operating profit	3,473	521
Depreciation	3,978	3,129
Movement on deferred government grant	(5)	–
Movement on provisions	26	(698)
Profits on disposal of tangible fixed assets	(41)	(40)
(Increase) / decrease in stock	13	36
(Increase) / decrease in debtors	264	788
Increase / (decrease) in creditors	1,297	(265)
Net cash inflow from operating activities	<u>£9,003</u>	<u>£3,471</u>

4. Exceptional Operating Costs

Exceptional operating costs comprise:

	1994	1993 (53 weeks)
	£000	£000
Payments to employees discretionary trust	200	485
Redundancy payments	234	222
Payments to secure changes to terms & conditions of employment	572	1,640
	<u>£1,006</u>	<u>£2,347</u>

Payments to employees discretionary trust represent a charge against profit to the benefit of the Go-Ahead Northern Employees Discretionary Trust.

5. Directors' Remuneration

	1994	1993 (53 weeks)
	£000	£000
Fees		—
Other emoluments		
Salary	282	370
Benefits	18	16
Pension contributions	20	34
	<u>£320</u>	<u>£420</u>

The emoluments of the chairman and the highest paid director were:

	1994		1993	
	Chairman	Highest paid director	Chairman	Highest paid director
	£000	£000	£000	£000
Salary	11	90	10	117
Benefits		—	4	—
Pension Contributions	—	7	—	11
	<u>£11</u>	<u>£101</u>	<u>£10</u>	<u>£131</u>

The emoluments, excluding pension contributions of the directors of the company were as follows:

	1994	1993
Directors in scale:		
£10,001 to £15,000	1	1
£15,001 to £20,000	—	1
£25,001 to £30,000	1	—
£80,001 to £85,000	2	—
£90,001 to £95,000	1	—
£115,000 to £120,000	—	3

Notes To The Accounts

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

6. Employees

The average number of employees in each week of the year, including directors, was:

	1994 No	1993 (53 weeks) No	
Management	67	59	
Administration & supervision	327	279	
Maintenance & engineering	426	349	
Drivers	1,988	1,607	
Bar staff		13	12
	<hr/> 2,821 <hr/>	<hr/> 2,306 <hr/>	

7. Pension Plan

The group operates three schemes – the group pension plan which consists of final salary and money purchase sections and the Brighton and Oxford schemes which are final salary schemes. All are funded by the payment of contributions to separately administered trust funds in accordance with the advice of independent qualified actuaries. Details of the most recent valuations were as follows:

	Group Plan	Brighton	Oxford
Date of latest formal actuarial valuation	31 March 1993	5 April 1992	6 April 1991
Investment return	9% p.a.	10% p.a.	9%
p.a.			
Pay growth	7% p.a.	6% p.a.	7.5%p.a.
Market value of assets	£34,676,000	£7,049,000	£3,980,000
Funding level	125%	117%	116%
Actuarial method	Attained age	Projected unit	Projected
unit		credit	credit

On a discontinuance basis the Brighton Scheme is funded to the extent of 97%. The underfunding is being corrected by increasing employer contribution rates

For the Brighton and Oxford Schemes the fair value adjustment on acquisition has been calculated using different assumptions which, in the directors' opinion, are more in line with investment returns and pay growth being experienced. These assumptions are as follows:

Investment returns	9% p.a.
Pay growth	6.75% p.a.

For the purposes of these accounts, the SSAP 24 calculations are based on the assumptions shown above except that the attained age method has been used. The current group overfunding after allowing for improved past service benefits of existing plan members is being corrected by way of reducing the employers contribution rate in the final salary section. At 2 July 1994 the balance sheet includes an accrual of £301,000 (1993 - £435,000) and the charge for the year is £1,759,000 (1993 - £1,223,000).

8. Interest receivable & Similar Income

	1994	1993 (53 weeks)
	£000	£000
Interest receivable on bank deposits	£276	£321

9. Interest Payable & Similar Charges

	1994	1993 (53 weeks)
	£000	£000
Bank loan wholly repayable within five years	279	—
Charges arising on finance leases	604	508
Other interest	1	19
	£884	£527

10. Taxation

	1994	1993 (53 weeks Restated)
	£000	£000
The charge / (credit) comprises:		
Corporation tax at 33% (1993 - 33%)		
On the profit for the year	1,082	(103)
Relating to prior years	16	(82)
Deferred taxation		
On the movement for the year	(80)	(190)
Relating to prior years	(110)	(16)
	£908	£(11)

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.

11. Earnings Per Share

The calculation of earnings per ordinary share is based on earnings of £1,957,000 (1993 – £326,000) and on 23,812,368 ordinary shares, being the weighted average number of ordinary shares in issue during the year (1993 – 21,931,552) after adjustment for the scrip issue on 27 April 1994 as if it had taken place on 27 June 1992.

Notes To The Accounts

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

12. Share Capital & Reserves

	Called up Share Capital £000	Share Premium £000	Revaluation Reserve £000	Capital Redemption Reserve £000	Other Reserve £000	Profit & Loss Account £000	Total Capital & Reserves £000
GROUP							
At 27 June 1992	135	34	934	5	3,337	3,478	7,923
Prior year adjustment (Note 13)	—	—	—	—	—	635	635
As restated	135	34	934	5	3,337	4,113	8,558
Movements during the year							
On issue of shares	3	2	—	—	—	—	5
Profit for the financial year	—	—	—	—	—	326	326
Revaluation reserve							
Amortisation	—	—	(16)	—	—	16	—
Goodwill on acquisition	—	—	—	—	—	(17)	(17)
At 3 July 1993	138	36	918	5	3,337	4,438	8,872
Movements during the year							
Profit for the financial year	—	—	—	—	—	1,957	1,957
Revaluation reserve							
Surplus on disposal	—	—	(91)	—	—	91	—
Amortisation	—	—	(16)	—	—	16	—
Arising on share issues	1,086	11,941	—	—	—	—	13,027
Share issue costs	—	(863)	—	—	—	—	(863)
Capitalisation on scrip issue	2,114	(60)	—	(5)	—	(2,049)	—
Goodwill on acquisition	—	—	—	—	(7,679)	—	(7,679)
At 2 July 1994	£3,338	£11,054	£811	£—	£(4,342)	£4,453	£15,314

Other reserve comprises goodwill (positive and negative) arising on acquisition.

The cumulative amount of goodwill written off at 2 July 1994 is £8,582,000 (1993 – £903,000) of which £903,000 (1993 – £903,000) has been written off to profit and loss account and £7,679,000 (1993 – £NIL) has been written off against other reserve.

12. Share Capital & Reserves (Continued)

	Called up Share Capital £000	Share Premium £000	Revaluation Reserve £000	Capital Redemption Reserve £000	Profit & Loss Account £000	Total Capital & Reserves £000
COMPANY						
At 27 June 1992	135	34	934	5	1,879	2,987
Movements during the year						
On issue of shares	3	2	–	–	–	5
Profit for the financial year	–	–	–	–	477	477
Revaluation reserve						
Amortisation	–	–	(16)	–	16	–
Goodwill on acquisition	–	–	–	–	(1)	(1)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 3 July 1993	138	36	918	5	2,371	3,468
Movements during the year						
Profit for the financial year	–	–	–	–	2,281	2,281
Revaluation reserve						
Surplus on disposal	–	–	(91)	–	91	–
Amortisation	–	–	(16)	–	16	–
Arising on share issues	1,086	11,941	–	–	–	13,027
Share issue costs	–	(863)	–	–	–	(863)
Capitalisation on scrip issue	2,114	(60)	–	(5)	(2,049)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 2 July 1994	£3,338	£11,054	£811	£–	£2,710	£17,913

In accordance with the exemption allowed by section 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 2 July 1994 is £180,000 (1993 – £180,000).

13. Prior Year Adjustment

Previously, stock was expensed through the profit and loss account upon purchase but is now expensed upon use to reflect industry practice. The effect of the change of policy on the profit and loss account and reserves is:

	Stock and Operating Costs £000	Deferred Tax £000	Retained Profit £000
At 27 June 1992	954	319	635
Movement during the year	(36)	(12)	(24)
	<hr/>	<hr/>	<hr/>
At 3 July 1993	£918	£307	£611

Notes To The Accounts

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

14. Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Properties £000	Rolling Stock £000	Plant & Equipment £000	Total £000
GROUP					
Cost or Valuation					
At 3 July 1993					
At 1985 valuation	2,479	139	–	–	2,618
At cost	3,366	528	30,482	4,110	38,486
Total	5,845	667	30,482	4,110	41,104
Additions		4,000	–	3,108	503
7,611					
Arising on acquisition of subsidiary undertakings	3,403	939	6,970	550	11,862
Disposals		(140)	–	(1,320)	(142)
(1,602)					
At 2 July 1994					
At 1985 valuation	2,479	139	–	–	2,618
At cost	10,629	1,467	39,240	5,021	56,357
Total	13,108	1,606	39,240	5,021	58,975
Depreciation					
At 3 July 1993	372	60	21,264	2,707	24,403
Charge for the year	107	20	3,308	543	3,978
Disposals		(21)	–	(1,155)	(100)
(1,276)					
At 2 July 1994	458	80	23,417	3,150	27,105
Net book value					
At 2 July 1994	£ 12,650	£ 1,526	£ 15,823	£ 1,871	£ 31,870
At 3 July 1993	£ 5,473	£ 607	£ 9,218	£ 1,403	£ 16,701

14. Tangible Fixed Assets (Continued)

	Freehold Land and Buildings £000	Leasehold Properties £000	Rolling Stock £000	Plant & Equipment £000	Total £000
COMPANY					
Cost or Valuation					
At 3 July 1993					
At 1985 valuation	2,479	139	–	–	2,618
At cost	452	406	30	746	1,634
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,931	545	30	746	4,252
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Additions		4,000	–	6	30
4,036					
Transfers (to)/from subsidiary undertakings	3,011	1,010	(6)	46	4,061
Disposals		(140)	–	(5)	(42)
(187)					
At 2 July 1994					
At 1985 valuation	2,479	139	–	–	2,618
At cost	7,323	1,416	25	780	9,544
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	9,802	1,555	25	780	12,162
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 3 July 1993	359	58	22	469	908
Charge for the year	98	19	1	96	214
Transfers (to)/from subsidiary undertakings	231	71	(5)	27	324
Disposals		(21)	–	(2)	(34)
(57)					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 2 July 1994	667	148	16	558	1,389
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 2 July 1994	£9,135	£1,407	£9	£222	£10,773
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 3 July 1993	£2,572	£487	£8	£277	£3,344
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Freehold land and buildings includes land and non-depreciable buildings amounting to £4,403,000 (1993 – £3,259,000) in the group and £1,547,000 (1993 – £499,000) in the company.

Notes To The Accounts

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

14. Tangible Fixed Assets (Continued)

The net book value of lease assets are:

	1994		1993	
	Group £000	Company £000	Group £000	Company £000
Rolling stock	10,359	–	5,832	–
Plant and equipment	–	–	17	17
	<u>£10,359</u>	<u>£–</u>	<u>£5,849</u>	<u>£17</u>

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

	1994 £000	1993 £000
New bus grants (S.32 Transport Act 1965)	£4,231	£3,595
ERDF grant	<u>£99</u>	<u>£99</u>

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:

	1994		1993	
	Group £000	Company £000	Group £000	Company £000
Cost				
Freehold land and buildings	13,748	10,158	6,062	3,147
Leasehold property	1,532	1,411	522	401
	<u>£15,280</u>	<u>£11,569</u>	<u>£6,584</u>	<u>£3,548</u>
Accumulated depreciation				
Freehold land and buildings	1,447	1,375	1,069	1,056
Leasehold property	196	192	108	105
	<u>£1,643</u>	<u>£1,567</u>	<u>£1,177</u>	<u>£1,161</u>

The net book amount of leasehold property comprises:

	1994		1993	
	Group £000	Company £000	Group £000	Company £000
Leases with 50 or more years unexpired	1,519	1,400	600	483
Leases with less than 50 years unexpired	7	7	7	7
	<u>£1,526</u>	<u>£1,407</u>	<u>£607</u>	<u>£490</u>

15. Capital Commitments

	1994		1993	
	Group £000	Company £000	Group £000	Company £000
Contracted but not provided for in the accounts		2,236	–	1,032
– Authorised but not contracted for	2,764	–	6,916	–
	<u>£5,000</u>	<u>£–</u>	<u>£7,948</u>	<u>£–</u>

16. Fixed Asset Investments

GROUP	1994 £000	1993 £000
Listed investment	<u>£1</u>	<u>£–</u>

At 2 July 1994, 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 and associated undertakings.

The movements are:

	1994 £000	1993 £000
At 3 July 1993	805	789
Acquisition of		
Low Fell Coaches Limited	–	16
Deepbourne Limited	5,114	–
Grandforce Limited	6,349	–
Transfer of ownership of Brighton & Hove Bus and Coach Company Limited and Conway Advertising Services Limited from Deepbourne Ltd to the Go-Ahead Group PLC	1,970	–
Dividends paid out of pre-acquisition profits by Carfax Travel Limited, Conway Advertising Services Limited, Deepbourne Limited and Grandforce Limited	(2,704)	–
At 2 July 1994	<u>£11,534</u>	<u>£805</u>

Notes To The Accounts

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

16. Fixed Asset Investments (Continued)

At 2 July 1994 the subsidiary undertakings, of which the shares and voting rights were 100% owned by the company, were registered in England & Wales, operate mainly in England and comprise:

	Nature of Business
Brighton & Hove Bus and Coach Company Limited	Bus and Coach Operator
Carfax Travel Limited	Ticket Agency
City of Oxford Motor Services Limited	Bus and Coach Operator
The Gateshead & District Omnibus Company Limited	Bus Operator
Go-Ahead Leisure Limited	Public House owners and operators
Go-Ahead Northern Engineering Services Limited	Engineering Services
Langley Park Motor Company Limited	Bus and Coach Operator
Low Fell Coaches Limited	Bus and Coach Operator
Northern General Transport Company Limited	Bus Operator
The Northern National Omnibus Company Limited	Coach Operator
The Sunderland & District Omnibus Company Limited	Bus Operator
The Tynemouth & District Omnibus Company Limited	Bus Operator
The Tyneside Omnibus Company Limited	Bus Operator
The Venture Transport Company Limited	Bus Operator
Visitauto Limited	Taxi and Bus Operator
Wycombe Bus Company Limited	Bus Operator
Conway Advertising Services Limited	Non-trading
Deepbourne Limited	Non-trading
Exeter City Nipper Limited	Non-trading
Go-Ahead Northern Limited	Non-trading
Grandforce Limited	Non-trading
Metro Buses (Newcastle) Limited	Non-trading
The Go-Ahead Group Limited	Non-trading
Go-Ahead Northern Trustee Company Limited	Pension Plan Trustee

The associated undertaking is Network Ticketing Limited (registered in England & Wales) in which the company holds 32% of the shares (at a cost of £320). The group's share of the associated undertaking's results and assets are not included because they are not material.

Purchase of subsidiary undertakings

On 17 November 1993 and 1 March 1994 the company acquired the whole of the issued share capital of Deepbourne Limited and Grandforce Limited for a consideration of £5,000,000 and £6,285,000 respectively in cash. The main bus operating subsidiary of these companies are Brighton & Hove Bus and Coach Company Limited and City of Oxford Motor Services Limited respectively. Goodwill arising on acquisition has been debited to other reserves. The ownership of Deepbourne's subsidiaries was transferred to the company on 30 December 1993 at a consideration equal to their cost to Deepbourne satisfied by a current account adjustment of £1,970,000.

16. Fixed Asset Investments (Continued)

DEEPBOURNE LIMITED

	Book Value £000	Adjustments £000	Fair Value To Group £000
Net Assets Acquired			
Tangible Fixed Assets	3,074	(30) (a)	3,044
Investments	31	–	31
Stocks	263	(36) (b)	227
Debtors	763	–	763
Cash at bank and in hand	663	–	663
Creditors	(977)	(349) (b) (c)	(1,326)
Corporation tax	(87)	–	(87)
Finance leases	(1,262)	–	(1,262)
Deferred tax	(465)	190 (b)	(275)
Other provisions	(43)	(205) (b)	(248)
	<u>1,960</u>	<u>(430)</u>	<u>1,530</u>
Expenses of acquisition			(114)
Goodwill			<u>3,584</u>
Consideration paid (See Note 18(b))			<u>£5,000</u>

GRANDFORCE LIMITED

	Book Value £000	Adjustments £000	Fair Value To Group £000
Net Assets Acquired			
Tangible Fixed Assets	8,818	–	8,818
Investments	12	–	12
Stocks	439	–	439
Debtors	1,214	476 (c)	1,690
Bank overdraft	(3,029)	–	(3,029)
Creditors	(2,445)	(8) (b)	(2,453)
Corporation tax	(401)	–	(401)
Finance leases	(1,877)	–	(1,877)
Deferred tax	(504)	(13) (b)	(517)
Other provisions	–	(428) (b)	(428)
	<u>2,227</u>	<u>27</u>	<u>2,254</u>
Expenses of acquisition			(64)
Goodwill			<u>4,095</u>
Consideration paid (See Note 18(b))			<u>£6,285</u>

NOTES

(a) Restatement of accumulated depreciation of rolling stock to reflect Group depreciation policies.

(b) Adjustments to reflect group accounting policies.

(c) Includes adjustment to reflect group actuarial assumptions on pension scheme.

Notes To The Accounts

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

16. Fixed Asset Investments (Continued)

Deepbourne Limited earned a profit of £17,000 for the financial period from 1 October to 16 November 1993 and £266,000 for the financial year ended 30 September 1993. Deepbourne Limited contributed £1,218,000 to the group's net operating cash flow, paid £65,000 on servicing of finance, utilised £23,000 on investing activities and paid £447,000 on financing.

Grandforce Limited earned a profit of £713,000 (prior to a dividend of £3,000,000) for the financial period from 1 May 1993 to 28 February 1994, and £652,000 for the financial year ended 30 April 1993. Grandforce Limited contributed £998,000 to the group's net operating cash flow, paid £27,000 on servicing of finance, utilised £159,000 on investing activities and paid £194,000 on financing.

17. Debtors

Debtors comprise:

	1994		1993	
	Group £000	Company £000	Group £000	Company £000
Trade debtors	1,337	50	709	126
Amounts owed by group undertakings	—	9,944	—	3,963
Other debtors	733	540	362	335
Prepayments and accrued income	1,751	66	780	62
Central Government debtor	539	2	318	—
Corporation tax	—	218	240	19
	<u>£4,360</u>	<u>£10,820</u>	<u>£2,409</u>	<u>£4,505</u>

18. Cash & Cash Equivalents

a) The balances and movements of cash and cash equivalents comprise:

	1994 £000	Change in Year £000	1993 £000	Change in Year £000	1992 £000
Investments	2,985	(1,429)	4,413	87	4,326
Cash at bank and in hand	558	126	433	383	50
	<u>£3,543</u>	<u>£(1,303)</u>	<u>£4,846</u>	<u>£470</u>	<u>£4,376</u>

Investments comprise cash on short term deposit.

18. Cash & Cash Equivalents (Continued)

b) The net outflow of cash and cash equivalents
in respect of subsidiary undertakings comprises:

	Deepbourne Limited £000	Grandforce Limited £000	Total £000
Cash consideration (See Note 16)	5,000	6,285	11,285
Cash at bank and in hand acquired	(663)	–	(663)
Bank overdraft	–	3,029	3,029
	<hr/>	<hr/>	<hr/>
Expenses of acquisition	4,337 114	9,314 64	13,651 178
	<hr/>	<hr/>	<hr/>
	£4,451	£9,378	£13,829
	<hr/>	<hr/>	<hr/>

19. Obligations Under Finance Leases

The capital amounts due under finance lease
obligations comprise:

	1994		1993	
	Group £000	Company £000	Group £000	Company £000
Due in the next year	3,054	14	1,768	13
Due in the second to fifth years thereafter	6,216	12	4,584	25
	<hr/>	<hr/>	<hr/>	<hr/>
	£9,270	£26	£6,352	£38
	<hr/>	<hr/>	<hr/>	<hr/>
Movements on finance lease obligations comprise:				
Balance at start	6,352	38	3,686	50
Arising on acquisition	3,139	–	–	–
Receipts from sale and leaseback arrangements	–	2,382	–	4,303
Capital repayments on finance leases	(2,603)	(12)	(1,637)	(12)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at end	£9,270	£26	£6,352	£38
	<hr/>	<hr/>	<hr/>	<hr/>

20. Trade & Other Creditors

Trade and other creditors comprise:

	1994		1993	
	Group £000	Company £000	Group £000	Company £000
Trade creditors	3,673	401	1,450	134
Amounts owed to group undertakings	–	16,256	–	7,735
Other taxes and social security costs	1,131	50	610	37
Other creditors	4,558	322	3,717	328
Accruals and deferred income	3,505	800	2,388	1,156
Central Government creditor	374	–	–	19
	<hr/>	<hr/>	<hr/>	<hr/>
	£13,241	£17,829	£8,165	£9,409
	<hr/>	<hr/>	<hr/>	<hr/>

Notes To The Accounts

F O R T H E Y E A R T O 2 J U L Y 1 9 9 4

21. Provision For Liabilities & Charges

GROUP	Severance £000	Deferred Vehicle Repairs £000	Deferred Building Repairs £000	Deferred Taxation £000	Total £000
At 27 June 1992	—	640	868	182	1,690
Prior year adjustment (Note 13)	—	—	—	319	319
As reinstated	—	640	868	501	2,009
Amounts expended	—	(270)	(25)	—	(295)
Amounts released	—	(293)	(521)	—	(814)
Amounts provided (restated)	—	295	116	174	585
At 3 July 1993	—	372	438	675	1,485
Arising on acquisition of subsidiary undertaking	9	451	216	792	1,468
Amounts expended	(13)	(190)	(111)	—	(314)
Amounts released	—	(107)	(6)	(190)	(303)
Amounts provided	12	110	331	—	453
At 2 July 1994	£8	£636	£868	£1,277	£2,789

COMPANY	Deferred Building Repairs £000	Deferred Taxation £000	Total £000
At 27 June 1992	—	480	480
Amounts provided	—	66	66
At 3 July 1993	—	546	546
Transferred from subsidiary undertaking	53	60	113
Amounts provided/(released)	27	(108)	(81)
At 2 July 1994	£80	£498	£578

The components of the deferred tax provision are:

	Group £000	Company £000
Capital allowances in advance of depreciation	1,380	554
Leased assets	293	(9)
Other timing differences	(396)	(47)
	£1,277	£498

There are no amounts not provided.

22. Called Up Share Capital

	Authorised		Allotted, called up and fully paid	
	1994 £000	1993 £000	1994 £000	1993 £000
Ordinary shares of 10p each	<u>£4,500</u>	<u>£1,000</u>	<u>£3,338</u>	<u>£138</u>

During the year the authorised share capital was increased by £3,500,000 by the creation of 35,000,000 new ordinary shares of 10p each.

At various dates between 4 October 1993 and 11 March 1994 33,000 ordinary shares were issued for cash of £26,680 in satisfaction of options exercised by certain executives.

On 27 April 1994 21,136,125 ordinary shares were allotted, paid up in full at par, to the then existing shareholders on the basis of 15 shares for every 1 share held by capitalising £2,113,612.50 of the company's reserves.

On 9 May 1994 10,833,333 ordinary shares were issued at £1.20 per share as part of the Placing.

The company operates a share option scheme under which options have been granted to certain executives. At 2 July 1994 there remain unexercised options over 462,400 shares exercisable at 16.9375p per share between 1994 and 2001, 240,000 shares at 25p between 1996 and 2003 and 80,000 shares at 25p between 1997 and 2004.

23. Annual Commitments Under Non-Cancellable Operating Leases & Renting Agreements

Operating leases & renting agreements which expire:

	1994		1993	
	Property £000	Other £000	Property £000	Other £000
GROUP				
In the second to fifth years inclusive	–	25	–	2
Over five years	<u>71</u>	<u>–</u>	<u>63</u>	<u>1</u>
	<u>£71</u>	<u>£25</u>	<u>£63</u>	<u>£3</u>
COMPANY				
Over five years	<u>£53</u>	<u>£1</u>	<u>£–</u>	<u>£1</u>

24. Post Balance Sheet Events

The company has entered into a conditional agreement to acquire the whole of the issued share capital of London Central Bus Company Limited on 22 September 1994 for cash consideration of £20.0m and repay intra group loans of £3.8m. The acquisition will be financed via the utilisation of a £25m secured loan which is repayable over five years.

Five Year Summary

	1994 £M	1993 £M	1992 £M	1991 £M	1990 £M
TURNOVER					
Continuing	61.4	49.3	47.2	44.1	45.3
OPERATING PROFIT BEFORE EXCEPTIONALS					
Continuing	4.5	2.9	2.6	2.7	(0.2)
OPERATING MARGIN	7.3%	5.8%	5.5%	6.1%	(0.4)%
EXCEPTIONAL COSTS					
Payments to secure changes to terms & conditions	0.6	1.7	0.3	–	–
Payments to employee's discretionary trust	0.2	0.5	–	–	–
Redundancy costs	0.2	0.2	0.1	0.3	0.4
Reorganisation costs	–	–	–	0.2	1.4
	1.0	2.4	0.4	0.5	1.8
NET INTEREST PAYABLE/(RECEIVABLE)	(0.6)	0.2	(0.2)	(0.4)	(0.6)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2.9	0.3	2.4	2.6	(1.4)
Tax on profit on ordinary activities	0.9	–	0.6	0.8	(0.5)
Dividends	–	–	–	1.1	0.1
RETAINED PROFIT	2.0	0.3	1.8	0.7	(1.0)
EMPLOYMENT OF GROUP CAPITAL					
Fixed assets	31.9	16.7	15.4	13.2	15.4
Net current liabilities (including provisions and deferred government grants)	(10.4)	(3.2)	(4.0)	(5.0)	(8.0)
	21.5	13.5	11.4	8.2	7.4
GROUP CAPITAL EMPLOYED					
Creditors falling due after more than one year	6.2	4.6	2.9	1.2	1.1
Capital and reserves	15.3	8.9	8.5	7.0	6.3
	21.5	13.5	11.4	8.2	7.4
NET BORROWINGS					
Current asset investment	3.0	4.4	4.3	4.2	3.3
Cash at bank and in hand	0.5	0.4	0.1	0.2	0.1
Obligations under finance leases					
Due within one year	(3.0)	(1.7)	(0.8)	(0.3)	(0.4)
Due after one year	(6.2)	(4.6)	(2.9)	(1.2)	(1.1)
	(5.7)	(1.5)	0.7	2.9	1.9
STATISTICS					
Earnings per share (as adjusted for the scrip issue on 27 April 1994)	8.2p	1.5p	8.4p	9.4p	8.7p
Dividends per share	–	–	–	5.7p	0.8p