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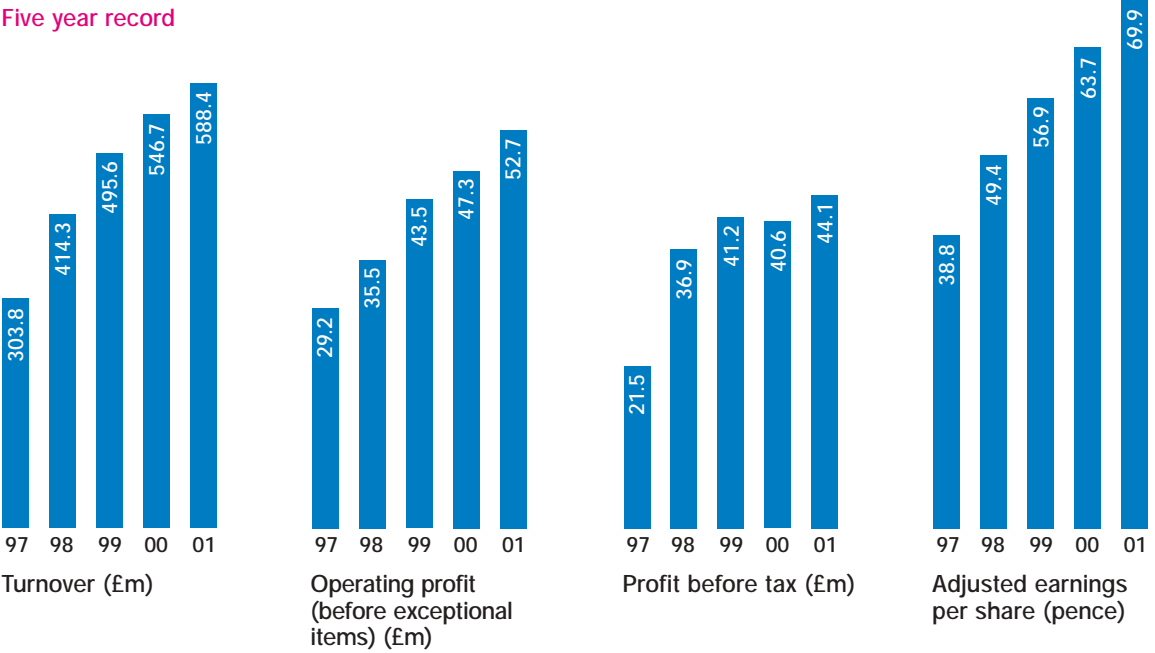
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The Go-Ahead Group is one of the UK's leading transport service providers. Employing around 18,000 staff and serving over 600 million passengers each year, the Group is a key operator of commuter services in London and the south east. Go-Ahead is ideally placed to develop new and innovative solutions to address the growing congestion problems in this region.

Financial Highlights

Five year record



Financial Calender	
Annual general meeting	18 October 2001
Record date	26 October 2001
Final dividend paid	23 November 2001
Half year end	29 December 2001
Interim results announced	February 2002
Interim dividend paid	April 2002
Next financial year end	29 June 2002
Full year results announced	September 2002
Annual general meeting	October 2002
Final dividend paid	November 2002

For the Year

	2001	2000	% Increase
Turnover			
(including joint ventures') (£m)	588.4	546.7	7.6
Total operating profit			
(before exceptional items) (£m)	52.7	47.3	11.4
Profit before tax (£m)	44.1	40.6	8.6
Adjusted earnings per share (pence)	69.9	63.7	9.7
Dividend per share (pence)	15.0	13.0	15.4

Chairman’s Statement



Professor Sir Fredrick Holliday
Chairman

This has been a further year of progress in the development of our company. Turnover for the year to 30 June 2001, including shares of joint ventures, has increased by 7.6% to £588.4 million (2000 - £546.7 million) and profit before tax increased 8.6% to £44.1 million (2000 - £40.6 million). Earnings per share rose 9.7% to 69.9p (2000 – 63.7p) on an adjusted basis. Excluding the effects of exceptional items, principally the costs of defending against the abortive bid for our company by a subsidiary of the French group Caisse des Depots (C3D), the group’s operating profit has increased by 11.4% to £52.7 million (2000 - £47.3 million). These results were achieved in a year made very difficult by a number of external factors. The management and staff of all the Go-Ahead businesses deserve our thanks for a truly outstanding effort.

A final dividend of 10.7p per share is proposed, payable to shareholders on the register at 26 October 2001. The total dividend for the year is 15p per share (2000 – 13p) up 15.4% on the previous year and covered 4.7 times by earnings before exceptional items for the financial year.

Public Transport - Rail Franchises

The UK rail industry continues to suffer from the history of under-investment by successive governments dating back to the second world war. Nowhere is this felt more acutely than on the London commuter networks.

Go-Ahead is the franchise holder for Thames Trains, and, through GOVIA, for Thameslink Rail. Both of these 7-year London commuter franchises are due to terminate in spring 2004. Go-Ahead will bid for long-term replacement franchises for Thames and Thameslink, to participate in the process of revitalising the London commuter services. We will also negotiate extensions to the existing franchises to assist the Strategic Rail Authority (SRA) in its new objectives.

GOVIA has been successful in being chosen as the Preferred Bidder for a 20-year rail franchise replacing the existing 7-year South Central franchise. Sharing parts of the Brighton main line with Thameslink, South Central is a vital part of the London commuter railway network. There is a big opportunity to put right years of under-investment in passenger facilities, track, rolling-stock and to grow patronage where the alternative road corridors are mostly unreliable and unsatisfactory.

Leaving the South Central franchise with its incumbent ownership until it expired in two years’ time would obviously have been unproductive in terms of staff and passenger motivation and morale. Consequently, Connex and the SRA agreed that GOVIA should acquire the existing franchise and this was effected on 24 August 2001. As part of this agreement, GOVIA will order 700 new vehicles at a cost of £560 million, to replace the existing slam door trains by December 2004, with appropriate adjustments to the operating subsidies received by South Central.

Negotiations continue between Bechtel, Railtrack and GOVIA to create a Special Purpose Vehicle (SPV) to develop the £750 million of infrastructure included in the successful South Central bid.

Rail Safety

Lord Cullen’s Inquiry into the circumstances of the Ladbroke Grove accident has reported on a catalogue of failures in the management of the UK rail industry. No part of the industry comes out of the disaster with credit; with deep regret we shoulder our share of responsibility.

The Inquiry found that the training given to the driver, Michael Hodder, by our Thames Trains subsidiary company was inadequate. It is no consolation to know that the company’s management had already recognised past weaknesses and had been revising its driver training. It was well advanced in improving training content and procedures at the time of the accident.

It is clear that many inadequacies in the rail system were inherited with the 7-year franchises. We are carefully monitoring the work undertaken by the management of our Thames and Thameslink subsidiaries in improving driver training and management, including the implementation of the action plans recommended by HM Railway Inspectorate, and the detailed recommendations from Lord Cullen’s report.

Whilst safety has always been an item at the top of our Board Agendas, we have recently held meetings dedicated solely to furthering our understanding of the issues involved. At those meetings we have had the guidance of outside safety experts. Safety must dominate our strategic thinking as well as our operational practices.

Just as on our highways, the railway has always relied upon drivers seeing and responding to coloured lights. The installation of a fail-safe mechanism would be a significant contribution to rail safety. The majority of Thames Trains, and all of the Thameslink trains, are now fitted with Train Protection and Warning Systems (TPWS).

Post-Hatfield Disruption

Following the Hatfield accident, the programme to detect and repair faults in the track resulted in prolonged and severe disruption to services, and immense inconvenience for our passengers. Thames and Thameslink sought to operate services to carry the majority of their commuters; but cancellations, delays, and transfers to our trains from cancellations by others, resulted in the most appalling overcrowding for many passengers and we apologise to them for the resulting gross discomfort. No option facing us was a good one. Staff at both of our companies bore the brunt of the understandable passenger reaction and I pay my own tribute to their response over this very trying period. They helped passengers as best they could, while issuing unprecedented numbers of compensation claim forms.

The financial structure of the industry meant that, in addition to paying compensation to their customers, our companies were fined for their poor performance. This was probably of little consolation to our passengers. In turn, Thames and Thameslink made claims on, and have received compensation from, Railtrack for its failures under their Track Access Agreements and the consequent long-term loss of passengers to those businesses. While this process has protected your company, we would have much preferred to run reliable services.

We are convinced that profitable services, with the profits substantially reinvested, represent the most secure way forward.

Public Transport – Bus Services

Your board believes that the company’s focus on London and the South East of England will continue to provide the best returns from its public transport activities. Expanding Metrobus by the acquisition of the depot in Crawley, thereby servicing our new routes in Gatwick Airport and West Sussex, is a key part of our public

transport provision. A map of the South East indicating our bus operating areas and the routes of our rail franchises highlights the benefits of this concentration.

Our London Central and General bus companies have benefited from the expansion of the London Bus contracts market. Plans announced by the Mayor of London confirm that bus services will expand and multiply to satisfy the demand to be generated from constrained car usage. That said, we continue to have serious concerns over the availability of adequately trained driving staff in the capital. Staff recruitment, training and retention form the key action plan in our metropolitan bus companies.

Elsewhere in the South East, group companies in Oxford and Brighton continue to rely heavily on local authority transport policies. Such policies have the potential to cause chaos or miraculously improve bus services. For example, the unitary authority for Brighton & Hove has a constructive and realistic attitude towards bus services which is reflected in the views of local traders and media. Opinion formers in Brighton recognise that in these days of severe urban congestion, there is a choice between regarding the bus as simply adding to the chaos or imaginatively regarding the bus as an alternative to the queues of private cars. Close relationships with local authorities and formal ‘quality partnerships’ continue to show the way for bus service improvement in the towns and cities served by Go-Ahead companies.

Passenger and staff security remains a big issue for all bus operators. In London, police concerned with urban street crime recognise that the vandals on the bus are the same generally young persons who are responsible for much of London’s street crime. Following the fitting of our buses with closed circuit television (CCTV) and video recorders, the police have been able to identify and successfully prosecute a number of criminals who were hitherto difficult or expensive in police time to track down and apprehend. CCTV also plays a part in identifying and prosecuting illegal parking, bus lane use and bus stop waiting. Sadly, it is a reflection on today’s culture that CCTV pays for itself through the evidence it affords against bogus claims for accident compensation. We are looking to extend this technology and the relationship with local police forces across rail as well as bus companies.

Aviation Services

The ground handling operations of British Midland and Midland Airport Services were acquired in March 2001. Together with the GHI subsidiary, the acquisition gives us critical mass in this important, growing market. With our 50% share in Plane Handling, a joint venture with Virgin, the group’s aviation services division has a respectable market share at Heathrow, Gatwick and Manchester, and a sizeable presence in many other UK airports and in Dublin. GHI and the acquired businesses now trade under the *aviance* banner, which offers a range of passenger handling, aircraft turnround and cargo handling products.

The most important management action arising from the acquisition has been the adoption of *aviance* policies and practices by all personnel throughout the merged undertaking. We believe that *aviance* can offer our staff a future focussed on ground handling as part of the devolved Go-Ahead group, without the distraction of other management issues arising from its being integrated with an airline.

Go-Ahead has virtually no aviation services businesses outside the UK and Ireland. The *aviance* name is to be used by other associated ground handling companies offering similar shared standards from a number of European and Middle Eastern airports. We believe this alliance will be helpful to airlines seeking to outsource their handling activities across a number of countries.

Since the year-end, the group has acquired Reed Aviation Services Limited, giving coverage of four further UK airports, including Luton. We anticipate further strategic acquisitions in the general area of aviation services giving us a presence at more airports in the UK. We do not currently plan to acquire handling businesses overseas.

The Board

I could not complete this report without making reference to the extraordinary focus and loyalty of the Board to the group’s stakeholders. The defence against the untimely bid from C3D brought us all closely together and I want to take this opportunity to thank my colleagues for their efforts and their unwavering support; and also to thank shareholders for their loyalty, which we believe we have fully justified.

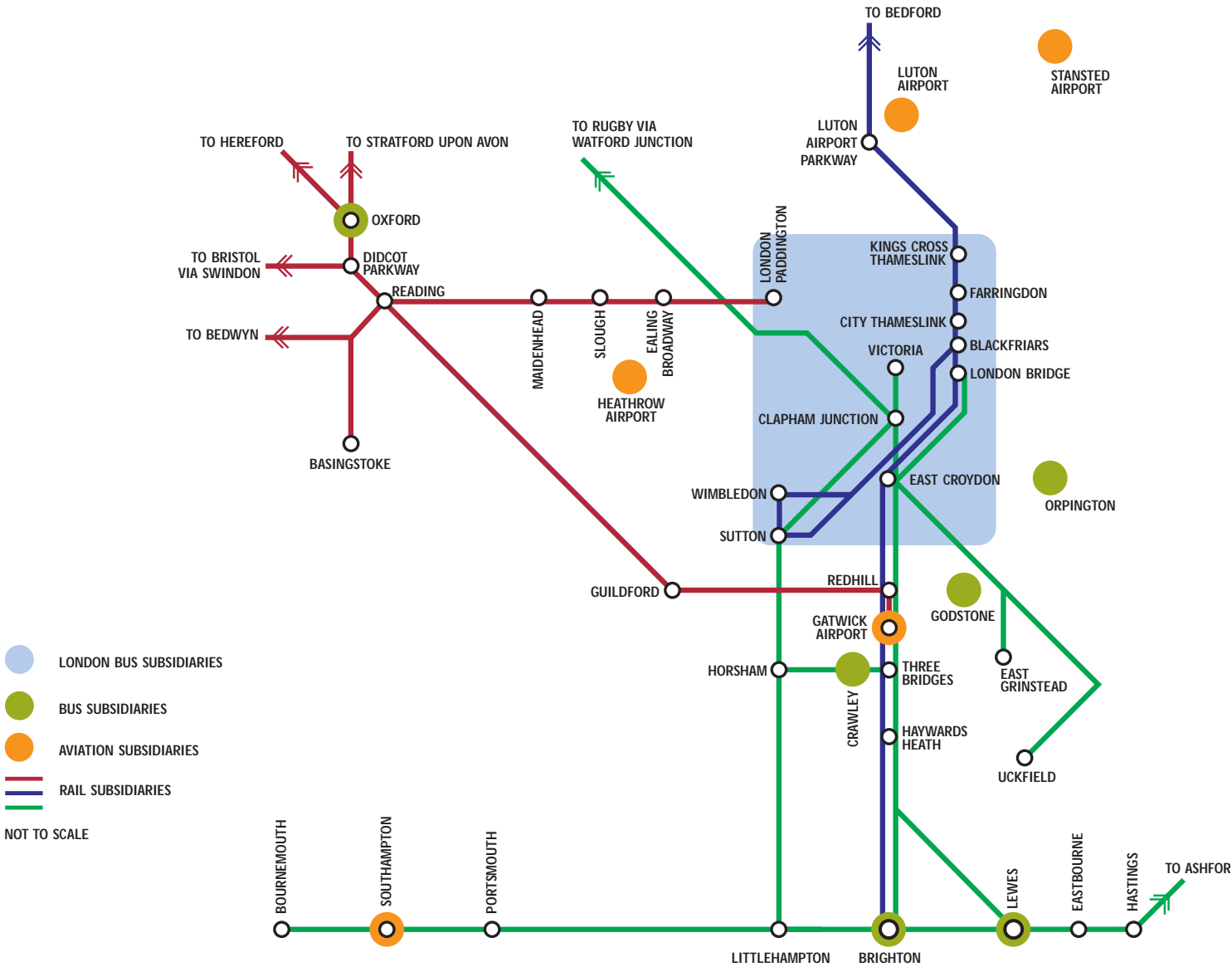
Prospects

The first few weeks of the new year show that the group remains on track to continue its successful development.

Professor Sir Frederick Holliday
Chairman

6 September 2001

South East Operations Map



Financial Review

Operating Result	2001			2000		
	Turnover (£m)	Operating Profit before Exceptional Items (£m)	Margin (%)	Turnover (£m)	Operating Profit before Exceptional Items (£m)	Margin (%)
Bus						
Regulated	139	16.6	11.9	124	16.2	13.1
Deregulated – North	59	7.0	11.9	57	7.8	13.7
Deregulated – South	47	7.8	16.6	46	6.9	15.0
	245	31.4	12.8	227	30.9	13.6
Rail	250	18.9	7.6	253	14.4	5.7
Aviation Services*	93	4.6	5.0	67	3.3	4.9
	588	54.9		547	48.6	
Bus						
Regulated		(2.2)**			(1.3)**	
	588	52.7		547	47.3	
*Includes share of joint ventures						
**This adjustment quantifies the effect of utilising operating leases rather than traditional hire purchase finance being notional accelerated depreciation and interest within the lease rentals.						

Bus

The first half of the year was characterised by continuing cost pressures, labour shortages and the short term effect in the regulated market of changes in the contract mix with Transport for London (TfL). A rebound in margins was expected in the second half mainly as a consequence of positive gains from new and renewed TfL contracts. This, indeed, has proved to be the case. Overall, margins for the year of 12.8% (2000 – 13.6%) reflect 12.1% in the first half increasing to 13.5% in the second. The issues affecting the first half have stabilised across the whole division and the recovery in margins is expected to be maintained.

Rail

Despite the disruption to services in the period, the rail businesses recorded an excellent financial result. Commuter journey volumes held up well but the strong double digit growth early in the year was not maintained post the Hatfield incident. Overall, the number of passenger journeys increased by 5.8% compared to the previous year. This increase, combined with the complex consequences of the various performance and compensation regimes,

produced a result ahead of expectations. At a time when substantial capital is being invested in the replacement South Central franchise (£5.1 million had been spent to 30 June 2001 with significantly more committed), a profitable underlying rail business is essential.

Aviation Services

Significant progress has been achieved in the year. The division now has the critical mass envisaged following the first investment in the aviation industry by the group in late 1998. Organic development of margin within the wholly owned business has provided growth from 2.2% in 2000 to 3.0% in 2001. The acquisition of the ground handling operations of British Midland and Midland Airport Services in March 2001 provided an operating profit contribution of £1.7 million (7% margin) in just over three months. The combination of this business with the existing division provides a basis for further progress in margin growth, although integration costs will be incurred in the coming months. The slow-down in world trade has, however, reduced the contribution of the Plane Handling joint venture, which suffered a decline in profitability

despite increased turnover. The business was unable to deliver the expected level of growth needed to justify the increase in operational capacity put in place early in the year. This has now been addressed.

Exceptional items

Two items were recorded in the year: defending against the bid from C3D Transport UK Limited cost £5.887 million; and the sale in December 2000 of the trade and assets of The Wycombe Bus Company yielded a profit of £1.165 million.

Taxation

The effective rate is 19.4% (2000 – 22.8%). A number of long outstanding issues with the Inland Revenue have been settled in the year enabling a further £2.4 million of past provisions to be released following the release of £2.0 million last year. The group's tax position is now up to date. In addition, the high level of capital investment by the group during the year has given rise to capital allowances for tax purposes far exceeding historic depreciation. Deferred tax is not provided under existing accounting rules but FRS 19 will be effective next year (see below).

Capital expenditure

The group invested £37 million in its bus fleet during the year. In addition to vehicles acquired on balance sheet a further £23 million of buses were acquired through operating leases. Overall 391 buses were acquired, a large proportion of which are low floor double deck vehicles for the London regulated market. This marks the conclusion of a programme over several years to upgrade the group's fleet which now has an average age (excluding Routemaster buses) of 5.75 years (6.8 years last year). In future years, expenditure will be close to a maintenance level, significantly enhancing future cash flow.

Cash flow, borrowings and balance sheet

Underlying cash flow remains strong. Whilst reported cash inflow before exceptional bid costs fell from £63.8 million last year to £57.6 million, the figures reflect the investment in working capital for the British Midland acquisition (acquired without debtor balances) of approximately £10 million and franchise bid costs of approximately £2.5 million. Excluding these factors, operating cash flow increased by 10%.

In addition to investment in bus vehicles, the group invested £72 million in the acquisition of the ground handling operation of British Midland and Midland Airport Services and £4 million in the rail bidding process. Overall, the group is carrying forward £5.1 million of costs associated with the South Central franchise under various categories in the balance sheet, having written off costs in respect of the stalled bid for Thameslink 2000 and, last year, for the failed Chiltern bid.

The group renegotiated its borrowing facilities during the year. It now has unsecured bank facilities of £180 million (excluding bond and similar facilities). £92 million was utilised at the year end having been drawn down to finance the British Midland acquisition in March.

Gearing is now 104% excluding restricted cash. Interest is covered 12 times by post exceptional profit. Earnings before interest, tax, depreciation and amortisation (EBITDA) is £71 million. The group has retained, therefore, considerable financial strength to fund further growth through acquisition without recourse to shareholders.

Accounting Policies

Financial Reporting Standard (FRS) 18, "Accounting Policies", has been adopted, though the only impact is some adjustments and additions to accounting policy disclosure.

FRS 17, "Retirement Benefits", has been adopted in its transitional form. The additional disclosure required is set out in Note 25 to the accounts but it has had no effect on the reported result for the year. Further disclosure is required for the year to 29 June 2002 but, again, there will be no effect on the reported result. In the year to 28 June 2003, however, full implementation is required introducing potentially material volatility to the reported cost of pensions and, therefore, profit.

FRS 19, "Deferred Tax", will be adopted for the year to 29 June 2002. This requires provision for tax timing differences largely irrespective of whether these are expected to reverse or not. There will be no impact on tax payable but the effect on the reported charge to profit will be to increase it to around the standard rate of 30%. All UK reporting companies will be similarly affected.

This financial year has seen some significant changes in Go-Ahead's portfolio of operations. Underlying these moves has been a desire to extend and develop our policies of integration and partnership in all aspects of our business.

Congestion - on road, rail and in the air - continues to present numerous challenges to our business. Only through partnership - with local and central government, other transport operators, passenger groups etc – will we be able to tackle this growing problem. Towards this aim we remain fully supportive of the Government's targets for increasing public transport patronage as laid out in the 10-Year Transport Plan.

Bus Operations

On-going vehicle investment is described in the financial review. Even including the heritage Routemaster fleet in London, run on behalf of TfL, our average fleet age (7.7 years) is below the Industry-Government target of 8 years. Go-Ahead views fleet renewal as one of the 'drivers' to organic patronage growth and we will continue to invest in providing a high level of service with quality vehicles.

This year has seen some changes in the bus division. In December the business of the Wycombe Bus Company was sold to Arriva the Shires for £5 million. Insufficient profit margins, in Wycombe, prevented the development of a long-term fleet replacement programme and the sale to Arriva enables them to develop a fully integrated network in the town.

This was followed by an expansion of our Metrobus operation in April following Arriva Southern Counties' decision to withdraw much of their network in the Crawley area. Entry into this local market was a logical step for Go-Ahead, enabling integration opportunities to be pursued with our ground handling operation at Gatwick airport and our impending New Southern

Railway / South Central rail operation. This new operation expands Metrobus' fleet to over 300 vehicles and the company is also the 'preferred operator' for the Gatwick Fastway guided busway system, due to be opened in 2002.

In Oxford, despite continued 'healthy' competition with Stagecoach, we have maintained market share in the city, and the London / Airport express business has continued to grow. Developments also continue with Park & Ride services, with increased demand resulting in proposals for expansion of one site and the construction of a new fifth site near Kidlington.

Plans are continuing for the move to a purpose-built depot adjacent to Oxford's ring road. Our plans for 2 separate guided busways running north and south of the city centre also continue, with the completion of the feasibility study and moves to incorporate the project within Oxfordshire County Council's Local Transport Plan.

Go North East's extensive distribution of service information was recognised in the Daily Telegraph Customer Service Awards, winning the national travel and transport category. In addition, Go North East were finalists in the Bus Operator of the Year category of the Bus Industry Awards.

In Brighton our continuing partnerships with the local authority and commitment to providing quality services has resulted in further passenger benefits. The now-established 'METRO' network has been enhanced by the introduction of a £1 flat-rate fare for journeys in and around the Brighton and Hove conurbation. Journeys in an area over 17 miles wide are now covered by the £1 fare, generating a further 3% growth in passengers. Brighton & Hove has continuously grown the market and since 1993 patronage has increased by over 30%.





Operating Review

Continued

A GPS-based 'automatic vehicle location' system has been introduced in partnership with the Brighton and Hove local authority, aiding the delivery of a punctual and reliable bus service. An added benefit of this system has been the introduction of real-time passenger information displays at selected city centre bus stops. Following trials it is planned to extend this system to cover many more stops on key city routes.

Further award success saw the company named 'Bus Company of the Year - Southern Region' (NFBU Welcome Aboard Awards) for the third time. Brighton & Hove also won the 'Marketing Initiative Award' at the Bus Industry Awards for their BUS ID scheme aimed at encouraging bus use in the under-18 market.

Passenger growth continues in the highly competitive London bus tender market, with year-on-year growth in passenger journeys of 5%. We have taken our share of this growth through retained work, including the re-tendered Red Arrow commuter network, as well as successfully tendering for new routes. As a result, over 200 new vehicles, including 162 low-floor double deckers, have entered service for London General and London Central. In addition, our London operation has successfully maintained quality service levels on London's congested roads, regularly topping the TfL Quality Service Indicators league tables.

Rail Operations

This has again been a taxing year for the rail industry. The necessary rail repair programme following the Hatfield accident, and the resulting train delays and cancellations, created a public perception of an industry in crisis. We are pleased to see that the national rail network is now slowly returning to normal and we must all strive to win back the 'hearts and minds' of the travelling public.

Since the Ladbroke Grove disaster Thames Trains has taken a number of initiatives to further improve driver training, including the development, with Railtrack and First Great Western, of computerised simulators to assist staff in learning the complex Paddington layout. This system will be progressively developed to cover the entire Thames network.

Development of 'Train Protection Warning System' (TPWS) on the rail network was already in hand on our Thameslink franchise where trials of TPWS have now been successfully completed. Thameslink is the first train company to be fully operational with TPWS, affording a greater degree of safety to our customers and staff. TPWS fitment to the whole Thames Trains fleet will be completed by October 2001, well ahead of the Government's target date of December 2003, and in time for Railtrack's planned completion of TPWS installation to the track and signalling in the Paddington area. Had it been available at the time, TPWS would have prevented the Ladbroke Grove disaster.

As part of the franchise agreement Thames Trains have introduced a night coach service between Reading station and Gatwick airport. These night journeys supplement the existing Thames Trains rail services to Gatwick, providing a 24-hour service to this important airport. In addition, the Thames Trains fleet of Turbo diesel trains is undergoing a comprehensive refurbishment programme to provide higher levels of reliability and a greater degree of comfort for passengers.

We are still hoping for progress on the franchising process for Thameslink 2000. This 'line of route' is amongst the most congested in the UK rail network, with passenger overcrowding and train capacity problems likely to worsen unless the planned infrastructure improvements are implemented. Our Thames Trains franchise is also due for renewal or extension in 2004 and we will be submitting detailed proposals to the SRA for investment in this franchise.

Operating Review

Continued

The award of ‘preferred bidder’ status for Go-Ahead’s joint venture (GOVIA) for a twenty year South Central franchise serves as a vindication for our stance in the face of last year’s hostile takeover bid from C3D. The award also demonstrates the high regard with which Go-Ahead is viewed in the rail industry and will enable us to carry out the necessary high level of investment this franchise requires.

The recently completed acquisition of the existing franchise will enable us to get to work straight away on improving punctuality and reliability, as well as addressing staff morale and customer service issues, and introducing new, more thorough cleaning regimes.

Aviation Operations

This year saw Go-Ahead greatly expand its aviation division with the acquisition of Midland Airport Services and the ground handling operations of British Midland. These companies have been combined with our existing GHI operation to provide ground handling services at 14 airports in the UK and Eire.

The combined ground handling operations have been grouped under a new brand for the division – *aviance* – and we are now the second largest independent ground handler in the UK. Through the re-branding process we have been able to communicate the new company’s vision, ethos and quality standards to the three sets of employees across the country and to bring these employees together under a common umbrella.

The merger of these three companies provides the new *aviance* brand with a wealth of experience and expertise in providing ground handling services. We now handle over 57 million passengers with 80 million pieces of baggage and we are responsible for 1.25 million aircraft movements each year.

Although our direct use of the *aviance* brand is restricted to the UK and Eire, we are also a founder member of the *aviance* worldwide trade alliance. In this arena *aviance* aims to provide world airlines with direct access to a ‘one-stop-shop’ ground handling organisation which can meet their needs for quality, safe and efficient ground handling services across the globe.

We have retained our 50% share in Plane Handling, a joint venture with Virgin, and as this business develops we are building a significant presence in the Heathrow cargo market. The acquisition of Reed Aviation, after the year-end, takes Go-Ahead’s ground handling activity to a new total of 18 UK and Eire airports. We now serve all four major London airports with ground handling, and three with public transport services.

Overall

The past year has been an important year for Go-Ahead with exciting developments in all three of our divisions. We continue to grow our businesses, both organically and through acquisition, and look forward to continued consolidation of our position as one of the leading transport services groups in the UK.

Further information on Go-Ahead and its subsidiary companies can be found on our website, which also contains a dedicated Investor Relations section. Please visit www.go-ahead.com.



Directors and Advisors

Directors

Professor Sir Frederick Holliday (65) joined the board of Go-Ahead in 1997 as a non-executive director, becoming non-executive Chairman in 1998. He is Chairman of Northumbrian Water Group and served on the board of Suez Lyonnaise des Eaux until June 2001. He is also Chairman of Northern Venture Trust and is a director of Brewin Dolphin Holdings PLC. He chaired the Eastern Region Board of British Rail from 1986 to 1990 and was a British Rail main Board Member from 1990 to 1993. He was a board member of Union Railways. In 1990 he retired from the position of vice-chancellor of Durham University, having spent 32 years in higher education.

Martin Ballinger (57) is group chief executive. He has headed up the Go-Ahead Group management team since 1982 through deregulation (1986), the management buy-out (1987) and a successful placing on the London market in 1994. Qualified as an accountant in 1968, he held various accounting posts before joining the National Bus Company in 1972.

Ian Butcher (50) is group finance director and company secretary. He is a chartered accountant and joined the management team of Go-Ahead in 1996. Prior to this he spent 12 years, up to senior management level, with KPMG, including overseas, gaining extensive experience of corporate finance, insolvency and audit. This was followed by 16 years in a broad range of industries at group finance director level, the last eleven of which have been spent with public companies.

Sir Patrick Brown (61) is a non-executive director and joined the board in January 1999. He is also a non-executive director of Arlington Securities plc. He spent 10 years in industry and management consultancy before joining the Civil Service. He was permanent secretary of the Department of Transport (DoT) from 1991 to 1997. Involved in privatisation in the DoT during the 1980s, he then moved to the Department of the Environment (DoE) to manage the privatisation of the water industry in England and Wales. In 1990-91 he was second permanent secretary in the DoE before returning to the DoT.

Christopher Collins (61) is a non-executive director and joined the board in September 1999. He is Chairman of Hanson PLC, having previously been executive vice-chairman and director, corporate development, between 1991 and 1995. He is also a non-executive director of Old Mutual plc and Forth Ports PLC and a qualified chartered accountant.

Christopher Moyes (52) is group deputy chief executive. He has been a board member of the Go-Ahead Group since 1986 and was involved in the management buy-out in 1987. He held a variety of management posts with the National Bus Company having joined the industry in 1971. A graduate engineer, he is also a fellow of the Chartered Institute of Transport and was a member of its UK Council (1990-1995). A Vice President of the Confederation of Passenger Transport (CPT) he is Chairman of Transfed, the National Training Organisation for the industry and a subsidiary of the CPT. He has recently been appointed Chairman of Council at the University of Durham.

The audit committee consists of Professor Sir Frederick Holliday, Sir Patrick Brown and Christopher Collins. Martin Ballinger sits in attendance. The remuneration committee consists of Professor Sir Frederick Holliday, Sir Patrick Brown and Christopher Collins.

Advisors

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Principal Bankers The Royal Bank of Scotland plc Corporate Banking 8 TH Floor 135 Bishopsgate LONDON EC2M 3UR	Registrars Lloyds TSB Registrars The Causeway WORTHING West Sussex BN99 6DA

Corporate Governance

The company is committed to high standards of corporate governance. The board is accountable to the company’s shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the company and the company’s compliance with the Code provisions set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel.

Statement by the Directors on compliance with the provisions of the Combined Code
The company has been in full compliance with the provisions set out in Section 1 of the Combined Code with the following exceptions:

Combined Code Reference

- A.2.1 In the board’s opinion, its size does not justify the appointment of a formally recognised senior independent non-executive director
- A.5.1 Because of the small size of the board, it has not been considered appropriate to appoint a nominations committee, the board as a whole being responsible for approving new appointments
- B.1.7 Two executive directors have contracts with two years’ notice on the basis set out in the section below under “remuneration committee and policy”

The board confirms that it has established the procedures necessary to comply with The Turnbull Report: ‘Internal Control: Guidance for Directors on the Combined Code’.

The board
The board currently comprises three non-executive directors, all of whom are considered to be independent, and three executive directors, and is responsible to shareholders for the proper management of the group. It meets at least 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.

All directors are subject to re-election by shareholders following appointment and are subject to re-election at intervals of not more than three years.

The board has adopted a group board procedures manual which was prepared in response to the Combined Code. It includes formal procedures for the working of the board and its committees, the timely provision of appropriate information to directors, standards of conduct, and the procedures for directors to take independent professional advice, if necessary at the group’s expense.

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 Professor Sir Frederick Holliday, comprises all the non-executive directors, and meets no 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 group chief executive. 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 audit committee keeps under review the cost effectiveness and the independence and objectivity of the external and internal auditors. The committee has unrestricted access to the auditors.

Remuneration committee and policy
The remuneration committee is made up of the non-executive directors and is chaired by Professor Sir Frederick Holliday. It has the responsibility for determining the remuneration, contract terms and other benefits for executive directors, including performance-related bonus and share option schemes. In considering these issues, the policy of the group is to ensure that the overall reward packages reflect current market practice and the responsibilities of the individuals concerned in order to attract and retain individuals of the appropriate calibre to meet group objectives including, where appropriate, the granting of contracts up to two years. The remuneration arrangements consist of basic salary, non-pensionable performance related bonus based on functional performance, contributions to the group pension plan, healthcare insurance, professional subscriptions and other non-pensionable benefits in accordance with typical company practice. In recent years options have been granted only in exceptional circumstances as a matter of policy. There also exists a share bonus scheme for the benefit of certain executive directors at main board and subsidiary board levels. Under the terms of the scheme, higher levels of annual bonus will be awarded but the majority will be converted into shares and held in trust until awarded to the executives three years after the award. The remuneration committee decide the amount of the award on an individual basis subject to achieving performance targets. The individual loses any right to the bonus if leaving employment within the three years. The first award was made in respect of the financial year ended 3 July 1999. Details of this, other remuneration, including share options and contract terms, are set out in Note 7 to the accounts.

Relations with shareholders

The executive directors meet the group’s institutional investors after announcement of interim and final results and at other times as appropriate. The directors are also regularly in contact with stockbrokers’ analysts. All shareholders are invited to the Annual General Meeting. The group maintains a website and expects this to continue to be a growing medium for communication to individual shareholders.

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 29 trustees, all employees chosen to reflect the geographic and functional spread of the group and including the three executive directors. Martin Ballinger is chairman of the trustees. The auditors and actuaries of the plan are both independent of the group.

Health, Safety and Environment

The board is fully committed to delivering the highest standards of health, safety and welfare for all of its employees and customers and acknowledges its responsibility for other persons who may be affected by the group’s activities.

The board is committed to minimising any detrimental effect that the group’s activities may have upon the environment and acknowledges its responsibility to take reasonable measures to safeguard the environment for both present and future generations.

The board takes all necessary steps to ensure that its statutory duties are met.

These policies are regularly monitored and the group’s subsidiaries subjected to independent audit to ensure that the relevant objectives are achieved.

Internal controls

The board is responsible for establishing and maintaining the group’s system of internal controls and for reviewing its effectiveness. Internal controls are designed to manage rather than eliminate the risk of failure to achieve the group’s strategic objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing process, in accordance with the guidance of the Turnbull Committee on internal control, has been established for identifying, evaluating and managing the significant risks faced by the group. The process has been in place for the full year under review and up to the date of approval of the annual report and accounts. The board regularly reviews this process.

The key procedures which the directors have established with a view to providing effective internal controls are as follows:

- a decentralised organisation structure with defined limits of responsibility and authority in accordance with the group’s Policy and Procedures Manual;
- an annual budgeting process with regular re-forecasting of results, identifying key risks and opportunities;
- monthly financial reporting and review of results by group executives; the company reports to shareholders twice a year;
- defined capital expenditure approval procedures; and
- a commitment to best practice in external reporting.

The key processes used by the board to review the effectiveness of the system of internal control include the following:

- annual review of the group internal control document, which covers both financial and non-financial areas of internal control, and is certified by the respective subsidiary boards;
- monthly reporting of financial information to the board encompassing profit and loss, cash flow and balance sheet information and key operating ratios;
- regular reporting to the board on specific matters including safety, insurance and treasury management; and
- considering the outcome of the Audit Committee meetings and the relevant action determined in respect of any control issues raised by internal or external auditors.

Acquired businesses during the year have been included within the annual review of internal controls.

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.

Directors’ Report

The directors present their report and audited accounts for the year ended 30 June 2001.

Activities

The principal activities of the group are the provision of passenger transport services in the United Kingdom and the operation of aviation ground handling services.

Trading

The profit and loss account appears on page 20. The directors propose that a final dividend of 10.7p be paid (making a total of 15.0p for the year).

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 Reviews on pages 6 to 13.

Directors

The names of the directors appear on page 14.

In accordance with the provisions of the Articles of Association adopted at the last Annual General Meeting, Martin Ballinger and Sir Patrick Brown retire by rotation and being eligible, offer themselves for re-election. Mr Ballinger’s service contract provides for a rolling two year notice period. Non-executive directors do not have service contracts of one year or more.

The directors’ interests in the share capital of the company at the respective year ends, or later date of appointment, were as follows:

		2001 No.	2000 No.
Prof. Sir Frederick Holliday	Beneficial	1,000	1,000
Martin Ballinger	Beneficial	3,637,712	3,647,712
	Non-beneficial	80,000	80,000
Ian Butcher	Beneficial	70,498	100,000
Sir Patrick Brown	Beneficial	2,500	2,500
Christopher Collins	Beneficial	5,000	5,000
Christopher Moyes	Beneficial	2,494,628	2,816,628
	Non-beneficial	35,400	39,400

There were no changes in these interests up to 6 September. Details of directors’ interests in share options appear in Note 7 to the accounts.

Substantial Shareholdings

As at 24 August 2001 the company has been notified of the following interests in its ordinary shares (excluding the directors above) which represent 3% or more of the issued shares of the company:

	No.	%
Friends, Ivory & Sime*	3,898,858	7.69
Nuevas Iniciativas Europeas de Transporte, S.A.	3,075,000	6.07
Morley Fund Management*	2,739,597	5.40
Aberforth Investment Managers*	2,238,000	4.42
T H Shears	2,179,000	4.30
Scottish Widows Investment Partnership*	1,932,900	3.82
J P Morgan Chase & Co*	1,594,546	3.15
Keolis SA	1,575,000	3.11

* These holdings are in respect of the aggregate of investment management client’s interests within the respective asset management companies.

Directors’ responsibilities in respect of 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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.

Management and staff

There are 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.

Directors’ Report

Continued

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 £231,000 (2000 - £252,000).

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. At 30 June 2001 the number of days’ purchases outstanding for the company and the group were 36 and 32 days’ respectively.

Special business at the Annual General Meeting

Resolution 6 set out in the notice of the Annual General Meeting, which will be proposed as an ordinary resolution, will support the group’s commitment to offering shares to its employees. As a result of a recent review of the operation of its share option and share incentive schemes, in order to keep the company’s schemes in line with current practice in this area, it is proposed that certain limitations on global participation in these schemes should be altered to take account of current investor expectations. Accordingly, in relation to the company’s Savings-Related Share Option Scheme (the “Savings-Related Scheme”) and (1996) Executive Share Option Scheme (“1996 Scheme”), it is proposed to remove one of the global limits on participation which currently apply. The relevant limitation, which it is proposed to remove, is that the number of shares which are required to be issued by the company to satisfy exercises of options granted in any three year period under its share schemes, including the 1996 Scheme and the Savings-Related Scheme, must not exceed 3% of the issued ordinary share capital of the company. Resolution 6 is intended to remove this current limitation for both the Savings-Related Scheme and the 1996 Scheme to align the rules of these schemes with the current guidelines recommended by bodies representing institutional shareholders.

The company is also taking this opportunity to amend further the rules of the Savings-Related Scheme to align the periods during which the company may issue invitations to participate under this scheme with the periods during which options may be granted under the 1996 Scheme. The Association of British Insurers’ Investment Protection Committee has indicated the acceptability of this proposed amendment.

Resolution 7 set out in the notice of Annual General Meeting, which will be proposed as a special resolution, will supplement the directors’ authority to allot shares in the company.

Section 89 of the Companies Act 1985 requires a company proposing to allot equity securities for cash to offer them first to existing shareholders in proportion to their existing shareholdings. Equity securities includes ordinary shares

(the only class of share capital the company has at present) but does not include shares issued under employee share schemes. If this resolution is passed, the requirement imposed by section 89 will not apply to allotments by the directors in two cases:-

- 1 in connection with a rights (or similar) issue, where strict application of the principle in section 89 could (for example) either result in fractional entitlements to shares arising or require the issue of shares where this would be impractical because of local, legal or regulatory requirements in any given overseas jurisdiction; and
- 2 allotments of shares for cash up to a total nominal value of £253,208 (representing 5% of the company’s issued share capital at 30 June 2001). This gives the directors flexibility to take advantage of business opportunities as they arise, whilst the 5% limit ensures that existing shareholders’ interests are protected in accordance with guidelines issued by institutional investors’ bodies.

The board also confirms its intention that equity securities equivalent to no more than 7.5% of the issued share capital of the company will be allotted for cash on a non pre-emptive basis during any rolling three-year period, again in line with institutional investor guidelines.

This authority will lapse on the conclusion of the next Annual General Meeting of the company or, if earlier, fifteen months after the passing of the resolution except in so far as commitments to allot shares have been entered into before that date.

Auditors

On 28 June 2001, Ernst & Young, the group’s auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

A resolution to re-appoint Ernst & Young LLP as the group’s auditors will be put to the forthcoming Annual General Meeting.

By order of the board
I P Butcher
Secretary

Registered office:
3rd Floor
41 – 51 Grey Street
NEWCASTLE UPON TYNE
NE1 6EE

6 September 2001

Registered No. 2100855

Auditors’ Report to the shareholders of The Go-Ahead Group plc

We have audited the accounts on pages 20 to 47 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 26 to 27.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 17, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession’s ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors’ report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors’ remuneration and transactions with the group is not disclosed.

We review whether the corporate statement on page 15 reflects the company’s compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the group’s corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit 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 30 June 2001 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 LLP
REGISTERED AUDITOR

NEWCASTLE UPON TYNE
6 September 2001

Consolidated Profit and Loss Account
for the year ended 30 June 2001

	Notes	2001 £000	2000 £000
Turnover: Group and share of joint ventures'	2	588,428	546,651
Less: share of joint ventures' turnover		(17,445)	(15,973)
Continuing operations – ongoing		548,367	530,678
– acquisition		22,616	–
GROUP TURNOVER	2	570,983	530,678
Operating costs		(519,604)	(485,609)
Exceptional items	4	–	399
	3	(519,604)	(485,210)
OPERATING PROFIT			
Continuing operations – ongoing		49,728	45,468
– acquisition		1,651	–
Group operating profit	2	51,379	45,468
Share of operating profit in joint ventures		1,274	2,203
Total operating profit	2	52,653	47,671
Exceptional bid defence costs	4	(5,887)	–
Loss on disposal of joint ventures	4	–	(4,500)
Profit on disposal of subsidiary trade and assets	4	1,165	–
Net loss on disposal of properties	4	–	(100)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		47,931	43,071
Net interest payable – group	5	(3,869)	(2,417)
– share of joint ventures'		–	(51)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	44,062	40,603
Taxation – group	9	(8,020)	(8,643)
– share of joint ventures'		(544)	(625)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		35,498	31,335
Equity minority interests		(4,545)	(3,723)
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		30,953	27,612
Dividends	10	(7,616)	(6,505)
RETAINED PROFIT FOR THE FINANCIAL YEAR		23,337	21,107
EARNINGS PER SHARE – basic	11	61.6p	55.8p
– adjusted	11	69.9p	63.7p
– diluted	11	61.2p	55.0p

There were no recognised gains or losses for 2001 or 2000 other than those included in the above profit and loss account.

Consolidated Note of Historical Cost Profits and Losses
for the year ended 30 June 2001

	2001 £000	2000 £000
Reported profit on ordinary activities before taxation	44,062	40,603
Realisation of property revaluation gains of previous years	1,246	16
Difference between historical cost depreciation charge and that calculated on the revalued amount	137	148
Historical cost profit on ordinary activities before taxation	45,445	40,767
Historical cost profit for the year retained after taxation, minority interests and dividends	24,720	21,271

Consolidated Balance Sheet
as at 30 June 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Intangible assets	12	90,053	24,283
Tangible assets	13	189,115	156,363
Investments	15		
Investments in joint ventures			
– share of gross assets		9,434	9,025
– share of gross liabilities		(4,784)	(4,554)
		4,650	4,471
Other fixed asset investments		835	721
		284,653	185,838
CURRENT ASSETS			
Stocks		3,603	3,634
Properties held for resale		170	240
Debtors	16	75,854	59,027
Cash on deposit		17,442	22,831
Cash at bank and in hand		27,859	19,364
		124,928	105,096
CREDITORS: amounts falling due within one year	17	(141,229)	(128,112)
NET CURRENT LIABILITIES		(16,301)	(23,016)
TOTAL ASSETS LESS CURRENT LIABILITIES		268,352	162,822
CREDITORS: amounts falling due after more than one year	18	(128,436)	(50,464)
NET ASSETS		139,916	112,358
CAPITAL AND RESERVES			
Called up share capital	21	5,063	5,012
Share premium	22	51,127	48,609
Revaluation reserve	22	12,824	14,207
Other reserve	22	592	592
Profit and loss account	22	65,283	41,106
EQUITY SHAREHOLDERS' FUNDS		134,889	109,526
EQUITY MINORITY INTERESTS		5,027	2,832
		139,916	112,358

Professor Sir Frederick Holliday
Chairman

I P Butcher
Group Finance Director
6 September 2001

Balance Sheet

as at 30 June 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Tangible assets	13	34,093	33,374
Investments	15	186,199	111,994
		220,292	145,368
CURRENT ASSETS			
Properties held for resale		170	240
Debtors	16	45,767	10,532
Cash on deposit		–	6,285
Cash at bank and in hand		1	362
		45,938	17,419
CREDITORS: amounts falling due within one year	17	(75,065)	(53,241)
NET CURRENT LIABILITIES		(29,127)	(35,822)
TOTAL ASSETS LESS CURRENT LIABILITIES		191,165	109,546
CREDITORS: amounts falling due after more than one year	18	(91,655)	(20,000)
NET ASSETS		99,510	89,546
CAPITAL AND RESERVES			
Called up share capital	21	5,063	5,012
Share premium	22	51,127	48,609
Revaluation reserve	22	12,824	14,207
Other reserve	22	7,804	7,804
Profit and loss account	22	22,692	13,914
EQUITY SHAREHOLDERS’ FUNDS		99,510	89,546

Professor Sir Frederick Holliday
Chairman

I P Butcher
Group Finance Director

6 September 2001

Consolidated Cash Flow Statement

for the year ended 30 June 2001

	Notes To Cash Flow	2001 £000	2000 £000
Net cash inflow from operating activities excluding bid defence costs		57,578	63,814
Exceptional bid defence costs		(5,887)	–
NET CASH INFLOW FROM OPERATING ACTIVITIES	1	51,691	63,814
DIVIDENDS RECEIVED FROM JOINT VENTURE		598	256
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,023	3,084
Interest paid		(2,937)	(2,059)
Interest element of finance lease rental payments		(3,955)	(3,412)
Dividends paid to minority interests		(2,350)	(2,558)
		(6,219)	(4,945)
TAXATION			
Corporation tax paid		(9,113)	(12,199)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(46,357)	(26,979)
Payments to acquire intangible fixed assets		(1,811)	–
Receipts from sales of tangible fixed assets		2,881	3,020
Receipts from sales of properties held for resale		20	34
		(45,267)	(23,925)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings	2	(71,158)	(9,536)
Cash acquired with subsidiary undertakings		–	1,064
Disposal of joint ventures		–	(4,109)
Net proceeds on disposal of business		4,776	–
		(66,382)	(12,581)
EQUITY DIVIDENDS PAID		(6,781)	(5,844)
MANAGEMENT OF LIQUID RESOURCES			
Decrease in cash on deposit		5,389	7,357
FINANCING			
Issue of ordinary share capital		1,843	1,412
QUEST share issue costs		–	(5)
Repayment of long term loans		(20,000)	(6,689)
New long term loan		91,655	–
Repayment of short term loans		(5,000)	–
Receipts from hire purchase and lease finance		33,804	22,184
Repayment of capital element of finance leases and hire purchase contracts		(24,937)	(21,613)
Loan notes redeemed		(210)	(436)
		77,155	(5,147)
INCREASE IN CASH		1,071	6,786

Notes to the Cash Flow Statement

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

	2001 £000	2000 £000
Group operating profit	51,379	45,468
Exceptional bid defence costs	(5,887)	–
Exceptional credit	–	(399)
Cash flow on exceptional charges	–	(24)
Depreciation	18,538	16,141
Amortisation of intangible assets	102	–
Write off of intangible assets	462	–
Write off of investment	22	–
Profits on disposal of tangible fixed assets	(968)	(714)
Decrease in stocks	155	170
Increase in debtors	(15,210)	(9,131)
Increase in creditors	3,098	12,303
Net cash inflow from operating activities	51,691	63,814
Cash flow on exceptional charges:		
Redundancy: GHI reorganisation release	–	(11)
Thameslink Rail Limited	–	(13)
	–	(24)

2. PURCHASE OF SUBSIDIARY UNDERTAKINGS

	2001 £000	2000 £000
Net Assets acquired		
Tangible fixed assets	10,407	9,436
Stocks	124	144
Debtors	3,516	831
Creditors	(5,768)	(1,120)
Cash at bank	–	1,064
Loans and finance leases	(326)	(5,007)
	7,953	5,348
Goodwill	63,205	4,788
	71,158	10,136
Satisfied by		
Cash	69,770	9,400
Shares	–	600
Expenses	1,388	136
	71,158	10,136

The subsidiary undertaking acquired during the year contributed £76,000 to the group's operating net cash outflows.

3. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (CASH FLOW NOTE 4)

	2001 £000	2000 £000
Increase in cash	1,071	6,786
Cash flow from (increase)/decrease in debt and leasing/hire purchase obligations	(75,312)	6,554
Decrease in cash on deposit	(5,389)	(7,357)
Change in net debt resulting from cash flows	(79,630)	5,983
Leasing obligations of subsidiaries acquired in year	(326)	(4,357)
Bank loan of subsidiary acquired	–	(650)
Change in net debt resulting from non-cash flows	(326)	(5,007)
Movement in net debt in the year	(79,956)	976
Net debt at 2 July 2000	(31,750)	(32,726)
Net debt at 30 June 2001	(111,706)	(31,750)

4. ANALYSIS OF CHANGES IN NET DEBT

	At 2 July 2000 £000	Cash Flow £000	Acquisition £000	At 30 June 2001 £000
Cash				
Cash at bank and in hand	19,364	8,495	–	27,859
Bank overdrafts	(82)	(7,424)	–	(7,506)
	19,282	1,071	–	20,353
Debt due within one year				
Bank loans	(5,000)	5,000	–	–
Loan notes	(597)	210	–	(387)
	(5,597)	5,210	–	(387)
Debt due after one year				
Bank loans	(20,000)	(71,655)	–	(91,655)
Finance lease and hire				
Purchase obligations	(48,266)	(8,867)	(326)	(57,459)
Cash on short term deposit	22,831	(5,389)	–	17,442
Net debt	(31,750)	(79,630)	(326)	(111,706)

5. RESTRICTED CASH

Included in cash at bank and cash on short-term deposit are balances amounting to £34,042,000 (2000 - £34,712,000) held by the train companies which cannot be distributed by means of a dividend of which £17,447,000 (2000 - £16,546,000) is cash collateral for railway season ticket bonds.

Notes to the Accounts

1. ACCOUNTING POLICIES
BASIS OF PREPARATION

The accounts are prepared under the historical cost convention, modified by the revaluation of certain properties, and in accordance with applicable accounting standards. True and fair override provisions of the Companies Act 1985 have been invoked, as described in "goodwill" below and Note 12.

BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of the company and each of its subsidiary undertakings made up to 30 June 2001. Entities in which the group holds an interest on a long term basis and are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the group accounts, joint ventures are accounted for using the gross equity method.

ACCOUNTING FOR DEBT ISSUE COSTS

Debt issue costs are recognised in the profit and loss account over the term of the relevant debt at a constant rate on the carrying amount. Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the debt issue costs charged to the profit and loss account in respect of the accounting period.

CAPITAL GRANTS

Grants received in respect of new bus grants under S32 Transport Act 1965 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.

INSURANCE

The group limits its exposure to the cost of motor, employer and public liability claims through third party insurance policies. These provide individual claim cover subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. An accrual is made within "Creditors: amounts falling due within one year" for the estimated cost to the group to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss. The estimation of the balance sheet insurance accrual is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the group.

FIXED ASSETS AND DEPRECIATION

Land is 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 and equipment	5 to 10 years

The transitional arrangements of FRS 15 have been adopted for group properties, which permit the previous revaluation, performed as at 27 June 1998, to be retained. No further revaluations are planned. Other fixed assets are shown at historical cost to the group.

1. ACCOUNTING POLICIES continued
GOODWILL

For acquisitions prior to 27 June 1998, goodwill arising on acquisitions was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS 10. In the event of subsequent disposal of the business to which it related, goodwill will be charged or credited to the profit and loss account.

Positive goodwill arising on acquisitions since 28 June 1998 is capitalised and carried as an asset on the balance sheet. Each acquisition is assessed individually to determine if the estimated useful life of the goodwill is considered to be indefinite. No amortisation is provided where the board is of the opinion that to do so would not show a true and fair view of the profit for the year or the financial position of the group at the end of the year. This overrides the requirement of the Companies Act 1985 to amortise goodwill and it is in compliance with FRS 10.

Where the useful life is not considered indefinite, the goodwill is amortised to the profit and loss account on a straight line basis over the estimated useful life.

In either case, goodwill is reviewed for impairment at the end of the first full financial year following the acquisition. Where goodwill is not amortised an annual impairment review is performed. An impairment review is also carried out on goodwill being amortised if events or changes in circumstances indicate that the carrying value may not be recoverable.

FRANCHISE BID COSTS

A key part of the group's activities is the process of bidding for and securing franchises to operate rail services in the UK. Directly attributable incremental third party costs incurred in bidding for such franchises are deferred and carried forward as an asset where the ultimate success of the process can be assessed with reasonable certainty. Franchise bid costs are expensed where the ultimate outcome of the bid is judged to be insufficiently certain.

Capitalised franchise bid costs are classified as an intangible asset which is amortised on a straight line basis over the period of the franchise in question. The carrying value of such assets are reviewed for impairment at the end of the first full financial year following the award of the franchise and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

STOCKS

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

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

The company operates retirement benefit schemes, both defined benefit and defined contribution. In respect of the defined benefit schemes, the pension benefits are funded over the employees' average period of service. The net pension cost to the company as determined from the latest triennial actuarial valuation and subsequent actuarial reviews is charged to the profit and loss account.

Contributions payable under the money purchase schemes are charged to the profit and loss account as they arise.

Notes to the Accounts

Continued

2. SEGMENTAL ANALYSIS

The turnover of the group is revenue from road passenger transport, rail passenger transport and aviation services. Rail passenger transport turnover includes financial support receivable from the Strategic Rail Authority and associated income. Aviation services turnover includes consultancy income.

Area of activity	2001 £000	2000 £000
Turnover		
Road passenger transport – ongoing	245,221	226,848
Rail passenger transport – ongoing	249,392	253,046
Aviation services – ongoing	53,754	50,784
– acquisition	22,616	–
Group turnover	570,983	530,678
Shares of joint ventures’ turnover – aviation services	17,445	15,973
Turnover: Group and share of joint ventures’	588,428	546,651
Operating profit		
Road passenger transport – ongoing	29,164	29,562
Rail passenger transport – ongoing	18,932	14,403
Aviation services – ongoing	1,632	1,104
– acquisition	1,651	–
Exceptional items (Note 4)	–	399
Group operating profit	51,379	45,468
Share of joint ventures’ operating profit – aviation services – ongoing	1,274	2,203
Total operating profit	52,653	47,671
Net assets/(liabilities)		
Road passenger transport – ongoing	201,697	138,625
Rail passenger transport – ongoing	26,817	(18,407)
Aviation services – ongoing	33,670	37,283
– acquisition	1,756	–
	263,940	157,501
Unallocated net liabilities:		
Taxation	(6,902)	(7,995)
Dividends proposed and payable	(5,418)	(5,398)
Interest bearing net liability	(111,704)	(31,750)
Total net assets	139,916	112,358

All turnover and operating profits above are of UK origin except for turnover of £1,679,000 (2000 - £1,473,000) and operating profit of £515,000 (2000 - £395,000) arising from a joint venture in aviation services, which arose in Ghana, Africa. The group’s share of net assets of the joint venture in Ghana as at 30 June 2001 are £721,000 (2000 - £757,000).

3. OPERATING COSTS

	Ongoing £000	2001 Acquisition £000	Total £000	2000 Total £000
Materials and other external charges	270,409	5,809	276,218	273,370
Staff costs	219,474	14,631	234,105	202,750
Depreciation of tangible assets	18,013	525	18,538	16,141
Other operating income	(9,257)	–	(9,257)	(7,051)
	498,693	20,965	519,604	485,210

4. EXCEPTIONAL ITEMS

	2001 £000	2000 £000
Recognised before operating profit:		
Continuing operations		
Release of GHI redundancy accrual	–	(399)
	–	(399)

Recognised after operating profit:
During the year, the group incurred costs amounting to £5,887,000 in defending an abortive bid from C3D Transport UK Limited.

On 13 December 2000 the group sold the trade and operational assets of The Wycombe Bus Company Limited for a total cash consideration of £5 million before costs. There was no goodwill attributable to this business on its acquisition by the group. The profit before tax and exceptional items of The Wycombe Bus Company Limited up to the date of disposal was £40,000, and for its last full financial year, was £207,000. The company ceased to trade from the date of sale.

The effect on the taxation charge is disclosed in Note 9.

The net loss on disposal of properties of £100,000 in the year to 1 July 2000 related to road passenger transport. The loss on disposal of joint ventures in the year to 1 July 2000 related to the group’s withdrawal from Swedish rail in May 2000.

5. NET INTEREST PAYABLE - Group

	2001 £000	2000 £000
On bank loans and overdrafts	2,753	2,091
Finance lease and hire purchase interest	3,955	3,177
Other interest payable	184	194
	6,892	5,462
Interest receivable on bank deposits	(2,954)	(2,984)
Other interest receivable	(69)	(61)
	3,869	2,417

Notes to the Accounts

Continued

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):

	2001 £000	2000 £000
Auditors' remuneration		
Audit fees	184	160
Acquisition services	–	37
Taxation services	106	48
Other non-audit services	27	12
Bid defence costs	116	–
Depreciation		
Owned assets	6,822	6,364
Leased and hire purchased assets	11,716	9,777
Operating lease and rental charges		
Property	12,287	12,200
Other	53,861	49,863
Profits on disposal of tangible assets	(968)	(714)

In addition, £360,466 (2000 - £32,000) of non audit fees were capitalised as part of the cost of acquisitions during the year, and £282,384 of non audit fees relating to ongoing acquisition activity, remain on the balance sheet at the year end.

7. DIRECTORS' REMUNERATION

	Salary/Fees		Performance related		Benefits in kind		Total excluding pensions	
	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000
Prof. Sir Frederick Holliday	50	46	–	–	–	–	50	46
Martin Ballinger	234	199	40	36	–	–	274	235
Ian Butcher	218	177	35	32	–	–	253	209
Sir Patrick Brown	28	27	–	–	–	–	28	27
Christopher Moyes	219	188	37	34	–	–	256	222
Christopher Collins	28	21	–	–	–	–	28	21
	777	658	112	102	–	–	889	760

Mr Butcher is eligible for a bonus of £100,000 in respect of the year to 30 June 2001, and during the year was awarded £65,000 in respect of the year to 1 July 2000 under a share bonus scheme (2000 - £nil). The bonuses will be used to buy ordinary shares in the group. The shares will be placed in a trust on Mr Butcher's behalf and will remain in the trust for three years after the date of award when title will be transferred from the trust to Mr Butcher provided he is still employed by the group at the time.

Mr Butcher exercised 498 share options on 2 July 2000, as part of the maturity of the employee share option scheme. On that date, based on the mid market value per share of £427.5p, the gain arising after tax was £109. In the previous year, Mr Butcher exercised 100,000 share options, the unrealised gain arising after tax would have been £384,000.

Messrs Ballinger, Butcher and Moyes are members of the group's final salary pension scheme. The value of increases in their accrued pensions, calculated on the basis recommended by the Institute of Faculty of Actuaries is shown:

	Accrued Pension at 30 June 2001 £	Increase in Accrued pension over year to 30 June 2001 £	Directors' contributions for year to 30 June 2001 £	Transfer value (less directors' contributions) of increase in accrued pension £
Ballinger M S A	109,010	16,908	13,125	184,864
Moyes C	104,335	15,835	12,315	142,393
Butcher I P	11,973	855	3,525	3,445

7. DIRECTORS' REMUNERATION continued

The value of increases in the accrued pensions, during the previous year, for Messrs Ballinger and Moyes were £13,308 and £13,039 respectively. The equivalent increase in transfer values after deducting the directors personal contributions were £141,884 and £114,118 respectively. Their accrued pensions at 1 July 2000 were £89,160 and £85,673 respectively.

Mr Butcher was a member of the group money purchase scheme until 31 March 2001. During the period to that date the company paid contributions of £8,186 (2000 - £8,166) to the money purchase scheme on Mr Butcher's behalf.

Mr Butcher joined the group final salary scheme on 1 April 2001, and transferred his accrued benefits from the money purchase scheme to the final salary pension scheme, receiving a service credit in the final salary scheme. Mr Butcher's accrued final salary pension at 30 June 2001 was £11,973 (2000 – nil), including the service credit awarded. The increase in the accrued pension shown above of £855 excludes the service credit, which was granted on cost neutral terms. The value of the increase in the accrued final salary pension, after deducting Mr Butcher's personal contributions to the final salary scheme was £3,445.

Directors' share options:

Scheme	At 1.7.00	At 30.6.01	Exercise Price	Maturity Date	Expiry Date
Mr Butcher:					
Savings Related	281	281	688p	Jan 2003	June 2003
Savings Related	498	–	391p	N/A	N/A

The market price of the group's ordinary shares at 30 June 2001 was 942.5p per share and the range during the year to 30 June 2001 was 950p to 427.5p.

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

	Notice Period
Martin Ballinger	Two years
Ian Butcher	One year
Christopher Moyes	Two years

8. EMPLOYEES

	2001 £000	2000 £000
Staff costs:		
Wages and salaries	208,615	182,980
Social security costs	17,541	15,527
Other pension costs (note 25)	6,775	4,973
	232,931	203,480

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

	2001 No.	2000 No.
Administration and supervision	992	903
Maintenance and engineering	1,230	1,211
Operations	10,310	8,607
	12,532	10,721

Notes to the Accounts
Continued

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES - Group

	2001 £000	2000 £000
The taxation charge is made up as follows:		
Corporation tax		
On the profit for the year	9,858	10,691
Relating to prior years	(1,838)	(2,048)
	8,020	8,643

If full provision had been made for deferred tax in the year, the tax charge would have increased by £3,937,000 relating to the current year and decrease by £1,502,000 relating to prior years (2000 - £3,279,000).

The tax effect in the profit and loss account relating to the exceptional items recognised below operating profit is a credit of £566,264 (2000 – credit of £295,000).

There would be a liability to taxation of approximately £3,850,000 (2000 - £4,000,000) in respect of capital gains on properties if these properties were to realise the value stated in the accounts.

10. DIVIDENDS

	2001 £000	2000 £000
Equity:		
Under accrual of final dividend for year to 1 July 2000	42	30
Interim dividend paid of 4.3p per share (2000 – 3.80p per share)	2,156	1,892
Proposed final dividend of 10.7p per share (2000 – 9.20p per share)	5,418	4,583
	7,616	6,505

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based upon earnings of £30,953,000 (2000 - £27,612,000) and on 50,252,377 ordinary shares (2000 – 49,496,030) being the weighted average number of shares in issue during the period, after excluding the shares owned by the QUEST.

An adjusted earnings per share is also presented to eliminate the impact of exceptional items. This is analysed as follows:

	2001 pence per share	2000 pence per share
Earnings per share – unadjusted	61.6	55.8
Exceptional items	9.4	8.5
Taxation on exceptional items	(1.1)	(0.6)
Adjusted earnings per share	69.9	63.7

Diluted earnings per share is based on 50,542,179 ordinary shares (2000 – 50,178,739), the difference from the basic calculation being due to the inclusion of 289,802 (2000 – 682,709) dilutive ordinary shares under share option schemes.

12. INTANGIBLE ASSETS

	Goodwill £000	Franchise Bid costs £000	Total £000
Cost:			
At 1 July 2000	24,283	–	24,283
Transferred from other debtors	–	1,318	1,318
Written off during the year	–	(462)	(462)
Additions	–	1,811	1,811
Arising on acquisitions in year (Note 15)	63,205	–	63,205
At 30 June 2001	87,488	2,667	90,155
Amortisation:			
At 1 July 2000	–	–	–
Charge for year	–	102	102
At 30 June 2001	–	102	102
Net book value:			
At 30 June 2001	87,488	2,565	90,053
At 1 July 2000	24,283	–	24,283

Goodwill
Amounts brought forward represent goodwill which arose on the purchase of GHI during 1999 and Metrobus during the last financial year. This goodwill is not amortised as the board is of the view that the goodwill has an indefinite useful life.

The goodwill addition in the year arose on the acquisition of the trade and assets of the ground handling operation of British Midland and the company Midland Airport Services Limited, which was acquired on 21 March 2001. This goodwill has been considered by the board along with the goodwill in GHI, who are of the opinion that it has an indefinite useful life and consequently has not been amortised.

aviance (which comprises GHI, British Midland and Midland Airport Services) operates in the air transport industry, which has grown substantially in the past and is expected to continue to grow over the coming years. Ground handling is essential to the operation of the airlines so will always be required. Further, the recent EU directive opening up the ground handling business to more competition provides opportunities for future growth. aviance currently operates in UK markets, which, whilst having significant barriers to entry, have been open to competition for many years during which time they have continued to grow.

Metrobus operates bus services in the outer London area, generating revenue from both London Transport contracts and non-regulatory areas. Patronage in the London areas has shown a marked increase over recent years, and with growing congestion in the capital, this is predicted to continue. Public transport in and out of London will always be required. London Transport contracts have a finite length and competition is present, but Metrobus is very well placed, with its depot locations, modern fleet, experienced management and staff and good reputation, not only to retain existing contracts, but to win others. Ownership of infrastructure and staff employed represent significant barriers to competition securing Metrobus’s long term future.

These factors lead the board to its conclusion that the useful life of the goodwill arising on all of the acquisitions above, exceeds 20 years and is indefinite, accordingly the Board is of the opinion that the amortisation of goodwill would not show a true and fair view.

Had the goodwill been amortised in accordance with the Companies Act 1985 over the FRS 10 rebutable assumption period of 20 years, £2,091,000 would have been charged to the profit and loss account in the year to 30 June 2001 (2000 - £1,173,000).

A review has been performed which confirmed that there has been no impairment to the goodwill during the financial year.

Notes to the Accounts

Continued

13. TANGIBLE ASSETS

	Freehold Land and Buildings £000	Leasehold Properties £000	Rolling Stock £000	Plant & Equipment £000	Total £000
Group					
Cost or Valuation					
At 2 July 2000					
At 1998 valuation	29,598	2,985	–	–	32,583
At cost	1,246	163	188,709	45,014	235,132
	30,844	3,148	188,709	45,014	267,715
Transferred from properties held for resale	50	–	–	–	50
Additions	3,166	–	37,409	5,782	46,357
Acquisitions	–	444	–	12,705	13,149
Disposals	–	(2,152)	(25,847)	(1,599)	(29,598)
At 30 June 2001	34,060	1,440	200,271	61,902	297,673
At 1998 valuation	29,648	835	–	–	30,483
At cost	4,412	605	200,271	61,902	267,190
	34,060	1,440	200,271	61,902	297,673
Depreciation					
At 2 July 2000	620	103	82,581	28,048	111,352
Charge for the year	320	51	13,385	4,782	18,538
Acquisitions	–	237	–	2,505	2,742
Disposals	–	(76)	(22,638)	(1,360)	(24,074)
At 30 June 2001	940	315	73,328	33,975	108,558
Net book value					
At 30 June 2001	33,120	1,125	126,943	27,927	189,115
At 1 July 2000	30,224	3,045	106,128	16,966	156,363

13. TANGIBLE ASSETS continued

	Freehold Land and Buildings £000	Leasehold Properties £000	Plant & Equipment £000	Total £000
Company				
Cost or Valuation				
At 2 July 2000				
At 1998 valuation	29,598	2,985	-	32,583
At cost	1,236	118	314	1,668
	30,834	3,103	314	34,251
Transferred from properties held for resale	50	–	–	50
Additions	3,150	–	4	3,154
Disposals	–	(2,150)	(98)	(2,248)
At 30 June 2001	34,034	953	220	35,207
At 1998 valuation	29,648	835	–	30,483
At cost	4,386	118	220	4,724
	34,034	953	220	35,207
Depreciation				
At 2 July 2000	620	88	169	877
Charge for the year	320	26	55	401
Disposals	–	(76)	(88)	(164)
At 30 June 2001	940	38	136	1,114
Net book value				
At 30 June 2001	33,094	915	84	34,093
At 1 July 2000	30,214	3,015	145	33,374

Freehold land and buildings includes non-depreciable land amounting to £17,080,000 (2000 - £14,280,000) in the group and company.

Leasehold properties includes non-depreciable land amounting to £366,000 (2000 - £848,000) in the group and company.

Notes to the Accounts

Continued

13. TANGIBLE ASSETS continued

The net book value of leased assets and assets acquired under hire purchase contracts is:

	Group £000	2001 Company £000	Group £000	2000 Company £000
Rolling stock	111,291	–	55,232	–
Plant and equipment	4,446	–	5,350	–
	115,737	–	60,582	–

The cost amounts are after deducting government grants received of:

		2001 £000	2000 £000
New bus grants (S.32 Transport Act 1965)		65	470
ERDF Grant		–	99

The freehold and leasehold properties occupied by The Go-Ahead Group plc were valued by Knight Frank as External Valuers, as at 27 June 1998, on the basis of Existing Use Value. The directors are not aware of any reason to change the valuation. If this had not taken place the historic cost and accumulated depreciation would have been:

	Group £000	2001 Company £000	Group £000	2000 Company £000
Cost				
Freehold land and buildings	24,190	24,160	20,974	20,964
Leasehold property	1,703	1,214	2,137	2,092
	25,893	25,374	23,111	23,056
Accumulated depreciation				
Freehold land and buildings	3,620	3,614	3,441	3,435
Leasehold property	852	549	705	695
	4,472	4,163	4,146	4,130

The net book value of leasehold properties comprises:

	Group £000	2001 Company £000	Group £000	2000 Company £000
Leases with 50 or more years unexpired	1,125	915	3,045	3,015

14. CAPITAL COMMITMENTS

	Group £000	2001 Company £000	Group £000	2000 Company £000
Contracted for but not provided	11,002	275	23,636	–

15. INVESTMENTS

Group

Investments in joint ventures:	£000
At 1 July 2000	4,471
Exchange gain on revaluation of opening net assets	47
Share of profits after taxation	730
Share of dividends	(598)
At 30 June 2001	4,650

Details of the principal joint ventures are set out on page 47.

Other fixed asset investments:	2001 £000	2000 £000
Investment in own shares	832	695
Associated companies	–	–
Trade investments	3	25
Listed investments	–	1
	835	721

The investment in shares of The Go-Ahead Group plc represents the shares held by a qualifying share ownership trust (the QUEST). The QUEST holds shares under option to employees.

Movements in the year are as follows:	Number	Cost £000	Nominal Value £000	Market Value £000
As at 1 July 2000	296,002	695	30	1,265
New shares issued to QUEST	379,398	1,375	38	
Issued to employees on exercise of options	(322,368)	(1,238)	(33)	
As at 30 June 2001	353,032	832	35	3,327

All rights to dividends on these shares have been waived. The trustee of the QUEST is The Go-Ahead Group QUEST Trustees Limited which is a wholly owned subsidiary of the company.

The investment in associated companies relates to a 31.35% holding in Network Ticketing Limited, at a cost of £317, and a 50% holding in Oxford Plus Pass Limited, at a cost of £45. These have not been equity accounted as they are not material. Trade investments are dormant companies acquired with GHI Limited.

Company

Fixed asset investments:	Shares in Group Companies £000	Loans to Group companies £000	Total £000
At 1 July 2000	111,994	–	111,994
Additions	–	74,205	74,205
At 30 June 2001	111,994	74,205	186,199

Details of the principal operating subsidiary undertakings are set out on page 47. As permitted under section 233(5) of The Companies Act, the information is given only for the undertakings whose results or financial position, in the opinion of the directors, principally affect the figures shown in the annual accounts.

Notes to the Accounts

Continued

16. INVESTMENTS continued

Acquisition of the ground handling operation of British Midland and Midland Airport Services

On 21 March 2001 the group acquired the trade and assets of the ground handling operation of British Midland and Midland Airport Services Limited for a consideration of £71,158,000 including expenses. This has been accounted for as an acquisition in accordance with FRS 6. The goodwill arising has been capitalised as an intangible asset.

Net assets at date of acquisition:

			Adjustments		
	Note	Book Value	Accounting policies	Other	Fair Value to Group
Tangible fixed assets	1	11,160	–	(753)	10,407
Stocks	2	281	(57)	(100)	124
Debtors		3,516	–	–	3,516
Creditors falling due in less than one year	3	(5,883)	(189)	(22)	(6,094)
		9,074	(246)	(875)	7,953
Goodwill arising					63,205
					71,158
Cash					69,770
Expenses					1,388
					71,158

- Notes
1. To write down equipment to fair value.
 2. To write down slow moving stocks of spare parts and to write off uniform stocks in accordance with Go-Ahead accounting policy.
 3. Accrual required to align with Go-Ahead policy regarding holiday pay, and additional accruals required at the date of acquisition.

The results for Midland Airport Services Limited for the period 1 January 2000 to 21 March 2001 and the year to 31 December 1999 are summarised below:

	1 Jan 2000 - 21 March 2001 £000	Year to 31 December 1999 £000
Turnover	26,709	19,637
Operating profit	375	1,122
Exceptional items	(628)	24
Net interest payable	(64)	(55)
Profit before taxation	(317)	1,091
Taxation	28	(393)
Profit after taxation	(289)	698

There were no other gains and losses for either period except for the profit above.

The results for the ground handling operations of British Midland are not disclosed as they are not separately identifiable. British Midland was part of a larger group and did not separately account for its ground handling operations pre acquisition.

16. DEBTORS

	Group £000	2001 Company £000	Group £000	2000 Company £000
Trade debtors	38,620	23	22,354	1
Amounts owed by group undertakings	–	25,779	–	7,043
Other debtors	9,069	4,599	14,917	1,421
Prepayments and accrued income	18,724	4,744	14,377	1,340
Central Government debtor	8,900	89	6,257	–
Corporation tax	541	533	1,122	727
Dividends receivable	–	10,000	–	–
	75,854	45,767	59,027	10,532

A pension prepayment of £3,703,000 (2000 - £276,000) is recoverable after more than one year. Included within other debtors is £2,987,000 which is recoverable after more than one year.

17. CREDITORS: amounts falling due within one year

	Group £000	2001 Company £000	Group £000	2000 Company £000
Bank loans	–	–	5,000	5,000
Bank overdrafts	7,506	7,396	82	–
Obligations under hire purchase and lease finance	21,099	–	18,268	–
Unsecured loan notes	387	387	597	597
Trade creditors	28,390	1,522	28,533	663
Amounts owed to group undertakings	–	58,433	–	40,831
Corporation tax	7,443	–	9,117	–
Other taxes and social security costs	6,412	–	5,605	–
Other creditors	15,609	–	12,604	–
Deferred season ticket income	17,723	–	17,647	–
Accruals and deferred income	20,592	1,909	16,555	1,345
Insurance accruals	10,650	–	8,689	–
Central Government creditor	–	–	17	222
Dividends proposed and payable	5,418	5,418	4,583	4,583
Dividends payable to minority shareholder	–	–	815	–
	141,229	75,065	128,112	53,241

Bank overdrafts are secured by a floating charge over the assets of the group.

Notes to the Accounts

Continued

18. CREDITORS: amounts falling due after more than one year

	Group £000	2001 Company £000	Group £000	2000 Company £000
Obligations under hire purchase and lease finance	36,360	–	29,998	–
Bank loans	91,655	91,655	20,000	20,000
Deferred government grants	421	–	466	–
	128,436	91,655	50,464	20,000
Bank loans repayable: In more than one year but not more than two years	92,000	92,000	5,000	5,000
In more than two years but not more than five years	–	–	15,000	15,000
	92,000	92,000	20,000	20,000
Less issue costs	(345)	(345)	–	–
	91,655	91,655	20,000	20,000

19. OBLIGATIONS UNDER HIRE PURCHASE AND LEASE FINANCE

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

	Group £000	2001 Company £000	Group £000	2000 Company £000
In one year or less	21,099	–	18,268	–
In more than one year but not more than two years	14,463	–	16,793	–
In more than two years but not more than five years	21,897	–	13,205	–
	57,459	–	48,266	–

20. DEFERRED TAX

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:

	Group £000	2001 Company £000	Group £000	2000 Company £000
Capital allowances in advance of depreciation	17,861	893	15,727	1,055
Leased assets	238	–	1,491	–
Other timing differences	1,326	1,021	(228)	83
	19,425	1,914	16,990	1,138

21. CALLED UP SHARE CAPITAL

	2001 £000	Authorised 2000 £000	2001 £000	Allotted, called up and fully paid 2000 £000
Ordinary shares of 10p each	6,125	6,125	5,063	5,012

The company operates share option schemes under which options have been granted to employees under the savings related scheme.

There are unexercised savings related options over 283,032 shares exercisable at 236p per share in 2001, 73,322 shares exercisable at 391p per share and 717,880 shares exercisable at 688p in 2003. During the year 2,956, 10,014, 411,816 and 1,302 shares were issued at 128p, 236p, 391p and 688p per share respectively under the terms of the savings related scheme.

During the year executive options over 50,000 shares were exercised at 391p per share and employees exercised options over 102,674 shares at 391p per share and 1,302 shares at 688p per share.

The company has taken advantage of the exemption offered under UITF 17 for Inland Revenue approval save as you earn schemes.

22. SHARE CAPITAL AND RESERVES

	Called up Share Capital £000	Share Premium £000	Revalu- ation Reserve £000	Other Reserve £000	Profit & Loss Account £000	Total Capital & Reserves £000
Group						
At 3 July 1999	4,967	47,357	14,371	–	20,164	86,859
Movements during the year						
Retained profit for the year	–	–	–	–	21,107	21,107
Revaluation reserve amortisation	–	–	(148)	–	148	–
Realised revaluation surplus on sale of properties	–	–	(16)	–	16	–
Arising on shares issued for option schemes	30	850	–	–	–	880
Arising on acquisition of subsidiary	8	–	–	592	–	600
QUEST shares issued	7	407	–	–	(329)	85
QUEST share issue costs	–	(5)	–	–	–	(5)
At 1 July 2000	5,012	48,609	14,207	592	41,106	109,526
Movements during the year						
Retained profit for the year	–	–	–	–	23,337	23,337
Revaluation reserve amortisation	–	–	(137)	–	137	–
Realised revaluation surplus on sale of properties	–	–	(1,246)	–	1,246	–
Arising on shares issued for option schemes	13	591	–	–	–	604
Arising on retranslation of net assets	–	–	–	–	47	47
QUEST shares issued	38	1,927	–	–	(590)	1,375
QUEST share issue costs	–	–	–	–	–	–
At 30 June 2001	5,063	51,127	12,824	592	65,283	134,889

Cumulative positive goodwill written off amounts to £59,494,000 (2000 - £59,494,000), of which £7,212,000 has been written off to other reserves and the remainder written off to the profit and loss account. Cumulative negative goodwill of £3,337,000 (2000 - £3,337,000) has been credited to the profit and loss account.

Notes to the Accounts

Continued

22. SHARE CAPITAL AND RESERVES continued

	Called up Share Capital £000	Share Premium £000	Revalu- ation Reserve £000	Other Reserve £000	Profit & Loss Account £000	Total Capital & Reserves £000
Company						
At 1 July 2000	5,012	48,609	14,207	7,804	13,914	89,546
Movements during the year						
Profit for the year	–	–	–	–	15,601	15,601
Dividends	–	–	–	–	(7,616)	(7,616)
Revaluation reserve amortisation	–	–	(137)	–	137	–
Realised revaluation surplus on sale of properties	–	–	(1,246)	–	1,246	–
Arising on shares issued for option schemes	13	591	–	–	–	604
QUEST shares issued	38	1,927	–	–	(590)	1,375
QUEST share issue costs	–	–	–	–	–	–
At 30 June 2001	5,063	51,127	12,824	7,804	22,692	99,510

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 the profit and loss account at 30 June 2001 is £211,000 (2000 - £211,000).

23. OPERATING LEASE COMMITMENTS

Annual rentals on operating leases and rental agreements which expire:

	Property £000	2001 Other £000	Property £000	2000 Other £000
Group				
Within one year	327	2,732	20	81
In the second to fifth years inclusive	12,739	51,877	18,170	45,885
Over five years	499	560	93	142
	13,565	55,169	18,283	46,108
Company				
Within one year	37	–	20	–
In the second to fifth years inclusive	25	–	59	–
Over five years	84	–	–	–
	146	–	79	–

24. DERIVATIVES AND FINANCIAL INSTRUMENTS

The group's principal financial instruments comprise bank loans, finance leases, hire purchase contracts, unsecured loan notes, cash and short term deposits. The main purpose of these financial instruments is to raise finance for acquisitions and maintain liquidity for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risk arising from the group's financial instruments is changes in interest rates. The board's policy toward cash deposits is to deposit cash short term on UK money markets. Interest payable on bank borrowings is based on re-fixing the rate of interest over short periods of time of up to 6 months. Excluding lease and hire purchase liabilities, the group has net debt and hence the present adverse risk is an increase in interest rates.

The group has for several years purchased road passenger vehicles by means of lease and hire purchase arrangements at fixed rates of interest over five year primary borrowing periods. As reported last year, the group has entered into material operating leases amounting to over £33 million (2000 - £10 million) in terms of asset capital value. This is done for some bus and coach purchases across the group where the purchases are made to service specific short term contracts. Using operating leases for vehicle requirements on a back to back basis significantly mitigates the risk of ownership at the end of the contract and the group continues to be able to secure this type of finance at competitive rates. As noted above, this has had the effect of incorporating £1,393,000 (2000 - £900,000) of cost within operating charges which would otherwise have been charged to interest.

The group rarely enters into transactions in foreign currency and no transaction to date has been material. Should larger foreign transactions be undertaken then efforts would be made to hedge the foreign exchange risk.

The group does not currently hedge its risk to increases in fuel prices. The closing position at 30 June 2001 is in line with the policies set by the board.

The disclosures below exclude short term debtors and creditors.

The group's financial assets and liabilities can be classified as follows:

	2001 £000	2000 £000
Financial liabilities		
Fixed rate – 6.7% average rate (2000 – 7.4%)	65,283	48,945
Floating rate	91,655	25,000
	156,938	73,945
Financial assets		
Floating rate	45,234	42,195
	111,704	31,750

Floating rates are based on LIBOR.

The weighted average period to maturity of the fixed rate debt is 2 years 4 months (2000 - 2 years 8 months).

All of the group's financial assets and liabilities are denominated in sterling.

At 30 June 2001, the group had an undrawn facility of £58 million (2000 - £11 million). This facility matures in July 2002. It is the board's intention to syndicate this facility on a medium term basis.

The maturity of the group's financial liabilities is shown in Notes 17, 18 and 19. Fair values are not significantly different to their carrying amount.

25. PENSION PLAN

The group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in (a) are those required by that standard. FRS 17 ‘Retirement Benefits’ was issued in November 2000, however, full disclosure will not be mandatory for the group and the company until the year ended 28 June 2003. Prior to this, phased transitional disclosures are required from 30 June 2001. These disclosures, to the extent not given in (a), are set out in (b).

- (a) The group operates one main scheme, the group pension plan, which consists of final salary and money purchase sections. The pension charge in respect of defined contribution schemes is £948,000 (2000 - £811,000). 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 most recent actuarial valuation of the group plan was carried with an effective date of 5 April 2000. For the purpose of this valuation the assets and liabilities of the group plan were valued at their market value.

Thames Trains Limited and Thameslink Rail Limited employees participate in the Railways Pension Scheme (RPS) which operates a defined benefits scheme for those companies previously owned by British Railways Board. The latest actuarial valuation of the RPS was carried out with an effective date of 31 December 1998. A summary of the latest actuarial valuations is as follows:

	Railways Pension Scheme		
	Group Pension Plan	Thames Trains Section	Thameslink Section
Date of actuarial valuation	5 April 2000	31 December 1998	31 December 1998
Actuarial assumptions:			
Investment return on existing assets	5.62% p.a.	6.75% p.a.	6.75% p.a.
Investment return on new monies	6.50% p.a.	6.75% p.a.	6.75% p.a.
Pay growth	4.25% p.a.	4.50% p.a.	4.50% p.a.
Pension increase	2.5% p.a.	3.0% p.a.	3.0% p.a.
Dividend growth	N/A.	3.75% p.a.	3.75% p.a.
Market value of assets	£197,000,000	£44,765,000	£30,035,000
Funding level	103%	112%	108%
Actuarial method	Projected Unit credit	Projected Unit credit	Projected Unit credit

At 30 June 2001 the balance sheet includes a SSAP 24 net prepayment of £3,292,000 (2000 - £276,000).

Effective from 1 August 2001 the employees of Midland Airport Services and the former employees of British Midland ground handling operations were offered a transfer into the Go-Ahead Pension Plan. The actuaries have confirmed that the transfer will not have a significant funding impact on the Plan.

25. PENSION PLAN continued

(b) FRS 17 ‘Retirement Benefits’

The calculations used for FRS 17 disclosures have been based on the most recent actuarial valuations and updated by Watson Wyatt to take account of the requirements of FRS 17 in order to assess the liabilities of the Pension Plans at 30 June 2001. Plan assets, for the three schemes are stated at their market value at 30 June 2001.

The same financial assumptions have been used for each of the three schemes to calculate scheme liabilities under FRS 17, as follows:

Valuation method	Projected unit
Discount rate	6.5%
Inflation rate	2.6%
Increases to deferred benefits during deferment	2.6%
Increases to pensions in payment	2.6%
Salary increases	4.1%

The expected long-term rates of return on the main asset classes at 30 June 2001 were:

Equities	7.50%
Bonds	5.23%

The weighted average expected long-term rates of return by scheme at 30 June 2001 were:

Go-Ahead Plan	7.05%
Thameslink Section	7.25%
Thames Trains Section	7.25%

The assets in the three schemes at 30 June 2001 were:

	Thames Trains Section £m	Thameslink Section £m	Go-Ahead Plan £m
Equities	48.3	31.7	138.6
Bonds	5.4	3.5	34.6
Total market value of assets	53.7	35.2	173.2
Present value of Liabilities	(44.4)	(29.5)	(148.6)
Surplus	9.3	5.7	24.6
Related deferred tax liability	(2.8)	(1.7)	(7.4)
Net pension asset	6.5	4.0	17.2
Net Assets			
Group net assets excluding pension asset			137.0
Pension asset			27.7
Group net assets including pension asset			164.7
Reserves			
Group profit and loss reserve excluding pension asset			62.4
Pension asset			27.7
Group profit and loss reserve			90.1

26. POST BALANCE SHEET EVENTS

On 26 August 2001, GOVIA Limited a 65% owned subsidiary of the Go-Ahead Group acquired Connex South Central Limited, together with the franchise agreement to operate commuter trains on the South Central Network. GOVIA paid on completion £30 million in cash, and will pay up to £2.5 million based on any increase in the net assets of Connex South Central from 31 December 2000 up to completion. A further amount of up to £10 million is payable, contingent upon passenger revenues in respect of the year ended 5 January 2002. Costs of £605,000 in respect of the acquisition are included in prepayments.

On 17 August 2001 Abingdon Bus Company, a 100% owned subsidiary of The Go-Ahead Group, acquired the entire issued share capital of Reed Aviation Limited, for a total consideration of £5.3 million. Reed Aviation provides ground handling operations at airports in the UK and Ireland, and distributes UK national newspapers by air to more than 40 countries.

Principal Subsidiary Undertakings and Joint Ventures

Principal Subsidiary Undertakings

Name		Principal activity
Brighton & Hove Bus and Coach Company Limited		Bus and coach operator
City of Oxford Motor Services Limited		Bus and coach operator
Go Gateshead Limited		Bus operator
London Central Bus Company Limited		Bus and coach operator
Mokett Limited		Intermediate holding co.
London General Transport Services Limited	(a)	Bus and coach operator
Go Northern Limited		Bus and coach operator
Go Wear Buses Limited		Bus operator
Go Coastline Limited		Bus operator
MetroCity (Newcastle) Limited	(a)	Taxi operator
Metrobus Limited		Bus operator
Victory Railway Holdings Limited		Intermediate holding co.
Thames Trains Limited	(a)	Train operator
Govia Limited	(b)	Intermediate holding co.
Thameslink Rail Limited	(a)	Train operator
Abingdon Bus Company Limited		Intermediate holding co.
GHI Limited		Intermediate holding co.
GH Manchester Limited	(a)	Aviation services
GH Stansted Limited	(a)	Aviation services
Gatwick Handling Limited	(a)	Aviation services
GH Heathrow Limited		Intermediate holding co.
Midland Airport Services Limited	(a)	Aviation services
Midland Airport Services (Holdings) Limited	(a)	Intermediate holding co.

Principal Joint Ventures

Name		Principal activity
Plane Handling Limited	(a),(c)	Aviation services
Af.G.O. Limited	(a),(d)	Aviation services

Notes:

1. All the principal subsidiary undertakings and joint ventures are incorporated and operate in Great Britain, except Af.G.O. Limited, which is incorporated and operates in Ghana, Africa
2. The above are subsidiary undertakings by virtue of the majority voting rights being held by the immediate parent undertaking
3. Subsidiary undertakings and joint ventures held indirectly are marked (a) Thameslink Rail Limited is owned 100% by Govia Limited, and therefore 65% by The Go-Ahead Group plc
4. The proportion of nominal value of ordinary share capital held in each company is 100%, except companies marked (b), (c) or (d), where the proportion is 65%, 50% and 20% respectively
5. All subsidiary undertakings are included in the consolidated accounts

Five Year Summary and Shareholder Information

Five Year Summary

	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
TURNOVER: GROUP AND SHARE OF JOINT VENTURES'	588.4	546.7	495.6	414.3	303.8
TOTAL OPERATING PROFIT BEFORE EXCEPTIONALS INCLUDING JOINT VENTURES'	52.7	47.3	43.5	35.5	29.2
OPERATING MARGIN	8.9%	8.7%	8.8%	8.6%	9.6%
Exceptional items	(4.7)	(4.2)	(0.2)	2.1	(5.3)
Net interest payable	(3.9)	(2.5)	(2.1)	(0.7)	(2.4)
PROFIT BEFORE TAXATION	44.1	40.6	41.2	36.9	21.5
Taxation	(8.6)	(9.3)	(10.4)	(7.8)	(5.6)
Minority interests	(4.6)	(3.7)	(3.1)	(3.4)	(0.3)
Dividends	(7.6)	(6.5)	(5.6)	(4.9)	(4.0)
RETAINED PROFIT	23.3	21.1	22.1	20.8	11.6
Earnings per share – basic	61.6p	55.8p	56.6p	52.5p	32.7p
– adjusted	69.9p	63.7p	56.9p	49.4p	38.8p
Dividends per share	15.0p	13.0p	11.5p	10.0p	8.0p
OPERATING CASH FLOW	57.6	63.8	44.5	55.5	25.3
FREE CASH FLOW	30.2	41.1	26.4	44.6	17.7
NET CAPITAL EXPENDITURE	(45.3)	(23.9)	(18.6)	(23.9)	(17.3)
NET BORROWINGS	111.7	31.8	32.6	2.9	15.9

Shareholder Information

Range of holdings	No. of holders	%	Shares held 000	%
1 – 10,000	2,330	90.42	2,060	4.07
10,001 – 100,000	166	6.44	5,989	11.83
100,001 – 500,000	58	2.25	14,133	27.91
500,001 – 1,000,000	13	0.50	9,654	19.06
Over 1,000,000	10	0.39	18,806	37.13
	2,577	100.00	50,642	100.00

Classification of shareholders	No. of holders	%	Shares held 000	%
Directors	6	0.23	6,327	12.49
Other individuals	2,085	80.91	5,395	10.65
Institutional investors	486	18.86	38,920	76.86
	2,577	100.00	50,642	100.00

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the company will be held at the Vermont Hotel, Castle Garth, Newcastle upon Tyne on Thursday 18 October 2001 at 3 p.m. for the following purposes:

ORDINARY BUSINESS

- 1) To receive and adopt the Directors’ Report and Accounts for the year ended 30 June 2001, together with the Auditors’ Report thereon;
- 2) To declare a final dividend of 10.7p per share in respect of the ordinary shares in the company payable on 23 November 2001 to all ordinary shareholders on the register at the close of business on 26 October 2001;
- 3) To re-elect Sir Patrick Brown as a director of the company;
- 4) To re-elect Mr M S A Ballinger as a director of the company;
- 5) To re-appoint Ernst & Young LLP as auditors of the company and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which resolution 6 will be proposed as an ordinary resolution and resolution 7 will be proposed as a special resolution:

- 6) In relation to the company's Savings-Related Share Option Scheme, which was approved and adopted by the Company on 27 April 1994, and approved by the Inland Revenue (the "Savings-Related Scheme") and the Company's (1996) Executive Share Option Scheme which was approved and adopted by the Company on 17 June 1996 (the "1996 Scheme"), copies of the rules of each of which have been produced to the meeting, signed by the chairman for the purposes of identification, the following amendments to the rules of each of the relevant schemes be approved and adopted by the company:-

- 6.1 that rule 5.1 of the rules of the Savings-Related Scheme be deleted in its entirety and with the rest of rule 5 being re-numbered accordingly;
- 6.2 that, in relation to 1996 Scheme, rule 3.2 be deleted in its entirety, consequential amendments be made to rule 3.3 and rule 3.4 to reflect the deletion of rule 3.2 and with the rest of rule 3 being re-numbered accordingly; and
- 6.3 that, in relation to the Savings-Related Scheme, rule 2.1 be deleted and replaced with the following rule 2.1:-

- "2.1 During the period of 42 days commencing on any of the following:-

(i) the date on which the Scheme is first approved by company in general meeting;

(ii) the Dealing Day immediately following Announcement Date;

(iii) the date on which any change to any legislation affecting Employees’ Share Schemes is proposed or made; or any other period of 42 days as determined by the Board in circumstances which the Board in its absolute discretion deems sufficiently exceptional to justify the making of an invitation pursuant to this rule 2 the Board may invite every Eligible Employee to apply for the grant of an Option to acquire Shares in the Company provided that no invitation may be made after the tenth anniversary of the Adoption Date"

and that the directors be authorised to do such things as are necessary to give effect to such amendments including, in the case of the Savings-Related Scheme, seeking and obtaining the approval of the Board of Inland Revenue to such amendments and doing all such things as are necessary to obtain such approval.

- 7) that the directors, pursuant to the general authority conferred on them by a special resolution passed at the Annual General Meeting of the company held on 19 October 2000, be empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

(i) made in connection with an offer of securities, open for acceptance for a fixed period, by the directors to ordinary shareholders of the company on the register on a fixed record date in proportion (as nearly as may be) to their then holdings of such shares (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with legal or practical problems under the laws or requirements of any recognised regulatory body or any stock exchange in any overseas territory or in connection with fractional entitlements); and/or

Notice of Meeting
Continued

(ii) wholly for cash (otherwise than pursuant to sub-paragraph (i) above) up to an aggregate nominal value of £253,208; and shall expire on the conclusion of the next Annual General Meeting of the company or, if earlier, fifteen months after the passing of this resolution, but the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such an offer or agreement as if the power conferred by this resolution had not expired.

By Order of the board
I P Butcher
Secretary
6 September 2001

Registered Office:
3rd Floor
41 – 51 Grey Street
NEWCASTLE UPON TYNE
NE1 6EE

NOTES
(i) Note to Resolution 6:
As part of its commitment to offering shares to its employees, from time to time the company reviews the operation of its share option and share incentive schemes. As a result of such a review, in order to keep the company’s schemes in line with current practice in this area, it is proposed that certain limitations on global participation in these schemes should be altered to take account of current investor expectations. Accordingly, in relation to the company’s Savings-Related Share Option Scheme (the “Savings-Related Scheme”) and (1996) Executive Share Option Scheme (“1996 Scheme”), it is proposed to remove one of the global limits on participation which currently apply. The relevant limitation, which it is proposed to remove, is that the number of shares which are required to be issued by the company to satisfy exercises of options granted in any three year period under its share schemes, including the 1996 Scheme and the Savings-Related Scheme, must not exceed 3% of the issued ordinary share capital of the company. Resolution 6 is intended to remove this current limitation for both the Savings-Related Scheme and the 1996 Scheme to align the rules of these schemes with the current guidelines recommended by bodies representing institutional shareholders.

The company is also taking this opportunity to amend further the rules of the Savings-Related Scheme to align the periods during which the company may issue invitations to participate under this scheme with the periods during which options may be granted under the 1996 Scheme. The Association of British Insurers’ Investment Protection Committee has indicated the acceptability of this proposed amendment.

(ii) The company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the company as at 1800 hours on Tuesday 16 October 2001 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 1800 hours on Tuesday 16 October 2001 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(iii) A member may appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the company. A form of proxy is included with the Annual Report for use if required. To be effective this must be deposited at, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZL not later than 48 hours before the meeting.

(iv) Completion and return of the proxy will not preclude shareholders from attending and voting at the meeting.

(v) There will be available for inspection at the registered office of the company during usual business hours (Saturdays excepted) from the date of this notice until the date of the Annual General Meeting:
(a) a statement of all transactions of each director and of his family interests, in the equity share capital of the company; and
(b) copies of the contracts of service of the directors employed by the company.

These documents will also be available for inspection during the Annual General Meeting and for at least fifteen minutes before it begins.

THE GO-AHEAD GROUP PLC

Form of Proxy for use at the Annual General Meeting to be held on 18 October 2001

I/We (Note 1)

of (Note 2)

being a shareholder of The Go-Ahead Group plc hereby appoint the Chairman of the Meeting (Note 3)

as my/our proxy to vote for me/us and on my/our behalf at the Annual General meeting of the company to be held on 18 October 2001 at the Vermont Hotel, Castle Garth, Newcastle upon Tyne.

I/We desire to vote in relation to the Resolutions set out in the Notice of the Annual General Meeting as indicated below (Note 4)

Table with 3 columns: RESOLUTIONS, FOR, AGAINST. Rows include resolutions on directors' report, dividends, re-election of Sir Patrick Brown, Mr M S A Ballinger, re-appointment of auditors, share scheme rule changes, and authority to issue shares for cash.

* A member of the Remuneration and Audit Committees

(✓) appropriately

Dated 2001 Signature (Note 5 and 6):

- NOTES
1. Please insert FULL NAME in BLOCK CAPITALS.
2. Please insert ADDRESS in BLOCK CAPITALS.
3. Any person may be appointed as proxy. If you wish to appoint another person delete 'the Chairman of the Meeting' and insert the name and address of the person in the space provided.
4. Please indicate how you wish your proxy to vote on the Resolutions set out in the Notice of Meeting. In the absence of any direction your proxy may in his discretion vote or abstain from voting in respect of all or any of the Resolutions. This proxy will be used only in the event of a poll being directed or demanded.
5. If the shareholder is a corporation this form of proxy must be under its common seal or under the hand of an officer or attorney duly authorised in writing.
6. In the case of joint holders the signature of the first named in the Register of Members will be accepted to the exclusion of the other joint holders.
7. Any alteration made in this form of proxy should be initialled.
8. This form of proxy must be lodged at Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZL, not later than 48 hours before the time of the meeting at which it is to be used, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power of authority.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No BR3006

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Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6ZL

FIRST FOLD

THIRD FOLD & TUCK IN