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".... the improvement in group margin has been 1.5%, exactly in line with previous forecasts."

".... I am always struck by the level of dedication by all staff to make the services run...."

SIR MICHAEL STRAKER
Chairman

FINANCIAL HIGHLIGHTS OF THE YEAR

- Turnover up 82% to £112 million (1994 – £61 million)
- Operating profit margin before exceptionals up to 10.9%
- Profit before tax up 197% to £8.5 million (1994 – £2.9 million)
- Earnings per share up 167% to 21.9p (1994 – 8.2p)
- The Board has declared a final dividend of 3.2p making a total of 4.8p for the year
- Interest of £1.8 million covered by operating profit 5.8 times
- New acquisitions contribute £3.0 million operating profit before exceptionals
- 98 new buses and coaches into service

FINANCIAL CALENDAR

Annual General Meeting	31 October 1995
Record Date	9 November 1995
Final Dividend Paid	30 November 1995
Half Year End	30 December 1995
Interim Results Announced	February 1996
Interim Dividend Paid	April 1996
Next Financial Year End	29 June 1996
Full Year Results Announced	September 1996
Annual General Meeting	October 1996

CONTENTS

Chairman's Statement

The best year yet - 1995 has seen the group expand its operations nationally with the original North East businesses showing real growth. I am delighted to report turnover up 82% to £112 million and operating profit up 172% to 12.2 million. With pre-tax profits of £8.5 million, earnings per share have increased by 118% to 17.9p. The Board is recommending a final dividend of 3.2p making a total of 4.8p for the year.

1995 has seen substantial development of the Go-Ahead Group. Much of that development has come about through organic growth. Operating margins have been improved throughout.

The improvement of 3.6% to 10.9% in the group operating margin is partly due to the group changing its method of calculating depreciation by bringing it into line with the rest of the industry. Comparisons may now be made directly between the Go-Ahead Group results and those of other quoted companies in the sector. Without the change in depreciation policy, the improvement in group margin would have been 1.5%, exactly in line with previous group forecasts.

Costs continue to be well controlled through improved productivity, investment in new equipment and the restructuring of non-direct costs. Some £11 million has been invested in new capital equipment (including bbb new buses) in the year and exceptional costs of £1.9 million represent restructuring costs as the group has continued to emerge as an efficient provider of urban public transport.

Partnerships with local authorities are seen as a crucial part of the strategy to revitalise public transport in the urban centres. It is gratifying to see improvements in bus priorities in Brighton and Oxford and very pleasing to see the Oxfordshire TPP including a bid for a guided bus expressway - very much an initiative of the Oxford Bus Company.

London Central Bus Company Limited was acquired on 18 October 1994. OK Motor Services Limited was acquired in March 1995. The Group's results for next year will include full year contributions from them.

London bus services remain strictly regulated under a route-franchising system. The London Central Bus Company has been relatively successful in maintaining its 'home' market share in the face of some very stiff competition from other operators.

Staff and management throughout the Group are to be congratulated on their achievement in further improving the performance of these vital public services over the past year. In the course of my visits to group operating sites I am always struck by the level of dedication by staff at all levels to make the services run - often in the face of enormous difficulties with traffic congestion. The Group is firmly focused on urban public transport and seeks to improve the quality of its services to make them more attractive. Improved bus services will provide a key element in the revitalisation of the towns and cities in the UK as planners and politicians seek to come to grips with the problems of pollution and congestion.

The Group's subsidiary companies are widely recognised as responsible and professional bus operators. It is with this background that I must report on the Board's disappointment with the Monopolies and Mergers Commission report into Bus Services in the North East. At the time of writing, the Group has not yet been approached by the Office of Fair Trading seeking undertakings as to the Group's future behaviour. However, legal opinion advises the Company that there are many strong bases on which the conclusions of the MMC report can be challenged.

Meanwhile, after almost six months of deliberations by the OFT the Minister of State for Transport Industry has refered the acquisition of OK Motor Services to teh MMC for investigation. To date, despite numerius requests, the OFT have not seen fit to disclose what particlar detriment they believe might result from the acquisition!

During the year, we were very fortunate to recruit Mr Duncan Clegg as a non-executive member of our Board. Duncan brings with him a wealth of experience in the merchant banking sector and his advice is an invaluable addition to the Group's strategic thinking. Since the year end, Mr Douglas Adie, the Managing Director of London Central Buses, has been appointed as an executive director. A Scots CA, Doug has worked in the bus industry for over 20 years having been a director of the National Bus Company. With over half of our bus business concentrated in London and the South East, the Board has a much more balanced look about it.

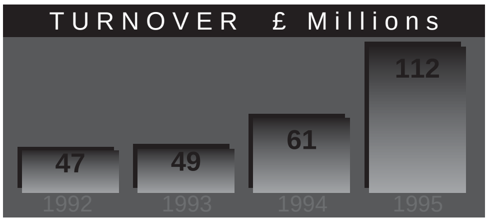
The Group continues to lead the way with major expenditure on low emission exhaust systems, accessible buses and passenger information systems. Much of these developments have been in conjunction with local authorities improving the infrastructure, road systems and signalling priorities. The Group businesses in all areas seek to develop close links with local authorities. Restraining private car usage in city centres can only be effective with cost effective, popular, reliable public transport available as a genuine alternative. The group is striving hard to provide that alternative.

Signature

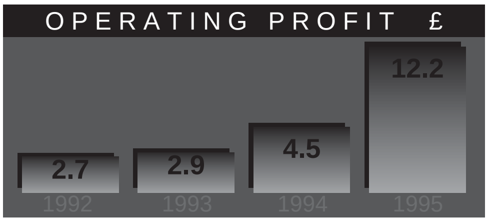
Financial & Operating Review

FINANCIAL REVIEW

The group accounts include part year contributions from London Central Bus Company (acquired in October 1994), O.K. Motor Services (acquired in March 1995) and Armstrongs Motor Services (acquired in June 1995).

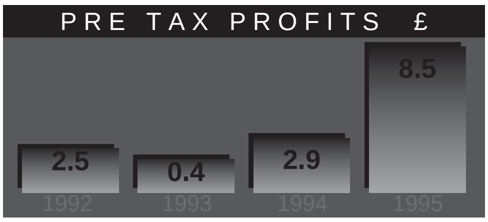


Turnover at £112 million has increased by 82%. The north east businesses (including Go-Ahead Leisure) have increased to £49.0 million. Brighton and Oxford contributed £28.8 million and the 1995 acquisitions £33.9 million.

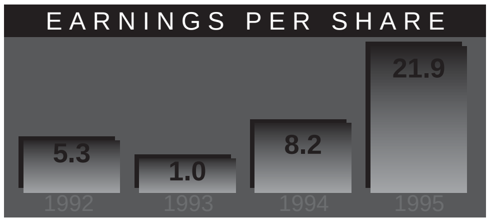


The 119% increase in operating profit (before the depreciation change) reflects the continuing organic growth of the core businesses and the size and strength of the 1994/95 acquisitions. The depreciation calculation method for rolling stock has been changed to bring the group into line with the industry. Whilst the overall lives have not materially changed the annual charge is equalised across the life of individual vehicles. Assuming the depreciation change had occured last year the north east businesses, with an operating margin of 10.9% (1994 - (recalculated) – 9.5%), have demonstrated 15% growth in operating profit. Brighton and Oxford have made a full year margin of 13.5% (1994 – 8.7%). The 1995 acquisitions have earned 8.8%.

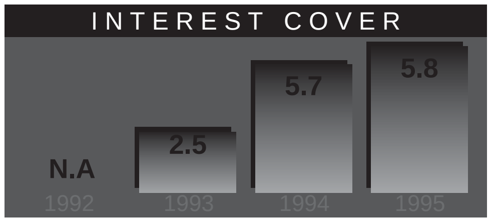
Exceptional costs at £1.9 million are higher than anticipated because of the additional rationalisation achieved as a result of the acquisition of O.K. Motor Services in March 1995.



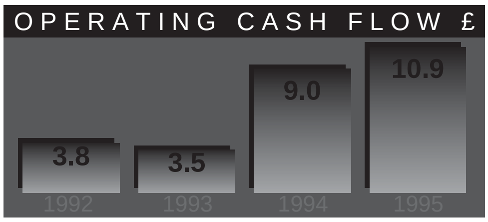
Growth of pre-tax profits by 197% to £8.5 million (7.6% on turnover) has been achieved by improving margins at core businesses and in last year's acquisitions; and by earnings enhancing acquisitions in the current year. The current year tax charge of 12%. reflects the release of the deferred tax provision caused by the impact of the depreciation calculation method on the application of the partial provision basis. The ongoing effective tax rate is 27%



Earnings increased by 284% to £7.5 million. With an average of 34,239,219 shares in issue during the year earnings per share rose bt 167% to 21.9p. The directors propose a final dividend of 3.2p to give 4.8p for the year covered 4.3 times.



Gearing was 330% at the year end having been at over 500% immediately after the acquisition of London Central Bus Company. Net interest payable rose 191% to £1.8 million. Interest cover at 5.8 times has increased from last year's 5.7 times.



After capital expenditure in the year amounting to £11 million the group was able to use some (£3.5) million of its own resources to reduce the borrowings incurred on the acquisitions.

Financial & Operating Review

OPERATING REVIEW

North East Bus Businesses

The acquisition of OK Motors enabled the Group to consider its North East bus companies as a single entity for management, administration and engineering, while retaining the local bus company names and depot-based operations for marketing and human resource management.

Such an approach has brought together six different management and administration teams with consequent elimination of overlapping responsibilities and internal competition. These changes, coupled with the completion of the "buy-out" payments, have made significant reductions in the unit costs of the North East.

The market place has been extremely variable across the North East with ongoing economic recessionary factors affecting South and North Tyneside most severely, whilst competition in many areas has clearly constrained the ability to achieve the level of growth required. The acquisition of OK Motors during the year has presented an excellent opportunity for the North East businesses to consolidate and improve their market position and competitiveness whilst stimulating a major organisational restructuring.

North East subsidiaries, however, have not simply reduced unit costs, but have embarked upon a number of technological and personnel related initiatives in an effort to improve the service offered to existing customers and to generate additional ones. Coastline's launch of five low floor buses onto routes in North Tyneside in association with infrastructure improvements provided by the local authority, have received considerable interest with evidence of passenger generation. Similarly, Go-Ahead Gateshead's experimental automatic vehicle location system on selected routes was also praised by Steven Norris MP who launched the system alongside nine real time passenger information sites.

Significant progress has also been made on advancement towards "Investors in People" accreditation with, for example,

Go-Ahead Gateshead's driver development course, aimed to remind front line staff of the various practical aspects of service quality provision. The same company was a runner-up in the Tyneside Opportunity 2000 Awards for its contribution towards enhancing the quantity and quality of women's participation in the workplace. Other subsidiaries have also made progress towards gaining ISO 9002 accreditation.

2. South East Bus Businesses

Year on year growth in passenger journeys at Brighton & Hove hit 6.3%. An excellent summer trading was boosted by the annual surge in foreign language students, and by the 1994 RMT rail dispute. Market share increased throughout the year as a result of fare promotions and frequency improvements.

Key services were given unique branding with vehicles displaying route information and supporting promotional literature delivered house to house. Frequencies were improved on services where economic activity has improved.

The fares structure in the urban area was simplified earlier in the year. The zonal system was introduced, building on the very successful 50p fare which applies throughout the central commercial areas of Hove and Brighton. Various promotional fares were introduced to maximise revenue generation. Some of these promotions were introduced in conjunction with major high street retailers and tourist attractions in the area.

Publicity for these various developments was supported with the publication of the regular "Info Link" newspaper which is widely circulated to staff and customers.

Staff at Brighton & Hove have played a key part in the success of the Company during the year. At the annual awards ceremony, in addition to recognition of safe driving, long service and excellence in service, for the first time staff chose the overall employee of the year - one who had contributed above and beyond the call of duty the most. The first winner of this top award was Bert Smith, night servicing supervisor.

The environment of the City of Oxford is highly sensitive to problems associated with traffic congestion and pollution. Local authorities have, over the years, sought to control private car entry to the City centre through restrictions on car parking, high car parking charges and bus priorities. In consequence, Oxford is a unique and intensely competitive operating environment which has seen sustained growth in bus use, against the national trend, over the last 20 years.

During its first full year of trading under Group ownership, the Oxford Bus Company's new management team has introduced a programme of restructuring and reinvestment to reduce unit costs and a new marketing strategy to expand market share. Engineering costs have been reduced through restructuring whilst a new supervisory structure based on driver team leaders has been introduced. A complex drivers' pay structure has been placed with a more flexible and cost-effective system featuring a higher basic rate to assist future recruitment.

The Oxford Company's image and marketing strategy has been transformed with variations to logo and liveries and the entire range of public relations and publicity activities.

An early investment was the Group's first installation of a state-of-the-art magnetic ticketing system. Customers can now choose from a wide range of pre-paid travel cards sold on-bus or from travel offices. The system has been extremely successful with more than one in four passenger journeys now using the new system.

Other new systems include the first phase of the Group's integrated stores, accounts and payroll system, and a scheduling system to speed up the implementation of service changes. A radio system has also been installed to give better control of services in Oxford's busy traffic conditions.

The biggest single investment has been a fleet of 20 new Dennis Dart vehicles fitted with state-of-the-art catalyst exhaust systems which dramatically reduce noxious emissions, an important feature in the highly sensitive Oxford environment.

The neighbouring Wycombe bus company has participated in a reorganisation of bus services involving a number of operators in that town. Wycombe has also benefitted from the introduction of new systems and procedures and capital investment to support them.

3. London Central Buses

Unlike the rest of the country, the bus market in London has not been deregulated. London Transport retain overall responsibility for the provision and planning of bus services in the capital as well as for fares, ticketing and administration of the tendering system by which contracts are awarded to competing operators to run the individual bus routes.

Since acquisition London Central has retained on retender two key routes P5 and 51, the latter using new Olympian Buses. It lost a small midibus route P14 but this was more than offset by its winning of a new route B1 (Shoreditch-Tower Hill) and the high profile route D1 "Docklands Express" using 10 new Olympian vehicles in special livery. Agreement was also reached for the conversion of Route P11 (Peckham-Waterloo) from single deck to double deck operation due to increasing passenger loadings allowing a further nine new Olympians to be introduced into the fleet.

The key to successful tendering is the continuous review and reduction of operating costs. London Central has, since acquisition, further rationalised its operating and engineering organisation and systems to produce improved quality and reliability at lower costs. The Management, supervisory and clerical departments have also been further streamlined to reduce overheads without loss of quality, resulting in the elimination of a further 19 posts.

Quality of service is vitally important, both to the retention of existing business and to ensuring that the bus plays an increasing role in London's overall transport network. During the year further improvements in reliability and quality were introduced on many routes which have produced the best operating results, both financially and qualitatively in the Company's history in spite of increased traffic congestion.

During the year Route 12, a very large crew operated route running from Notting Hill to Dulwich, won the London Regional Passengers Committee's Award for London's favourite crew-operated bus route, the award being presented by Mr Steven Norris, Minister for Transport in London.

The Company has now completed the refurbishment of all its famous Routemaster vehicles and has carried out a successful route branding exercise on Routes 12 and 36 on which these vehicles operate. The refurbished vehicles in their new eye-catching livery have already contributed to revenue and margin development on these major routes.

4. Strategy

The group continues to believe in the resurgence of public transport in urban centres. As part of that strategy, the group recognises the importance of co-operating fully with local authorities to plan and develop appropriate local transport strategies. All companies have been involved in lobbying and working with local authorities in the development of bus priority schemes and the preparation of funding bids to take advantage of the currently considerable public and political will.

In Brighton, an extension of the bus lane scheme was opened at the year end giving improved access to many Brighton and Hove bus services. The company is co-operating fully in the planning of further schemes.

Supported strongly by the Oxford Bus Company, local authorities in Oxford have designed a revised transport strategy to improve the City centre environment whilst also giving buses more priority. The Oxford Bus Company also launched its concept for a bus-based rapid transit system for Oxford into the next century. This is known as GTE - guided transit express - using special guideways constructed on redundant railway land. This concept has been received enthusiastically by local authorities and has been embodied within the County Council's Transport Policy and Programme. A successful presentation on the project was given to Steven Norris MP, Minister of Transport.

5. Non-core Activities

The contribution from Go-Ahead Leisure, Metro Taxis and the coach companies continues to be satisfactory, although none of them are sufficiently attractive to warrant significant development of these non-bus businesses.

In acquiring OK Motors, the Company also acquired a substantial coaching and tours operation. This has enabled some significant rationalisation to take place with the Voyager Coaching operation.

Acquisitions have also resulted in the Company operating travel agencies in both Oxford and Bishop Auckland. Both provide useful contributions but it is unlikely that the Company will re-enter the travel agency market on any larger scale having disposed of a similar business in 1985.

6. Management

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

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

Six Year Summary

	1995 £M	1994 £M	1993 £M	1992 £M	1991 £M	1990 £M
TURNOVER	111.7	61.4	49.3	47.2	44.2	45.3
OPERATING PROFIT BEFORE EXCEPTIONALS	12.2	4.5	2.9	2.7	2.5	(0.6)
OPERATING MARGIN	10.9%	7.3%	5.9%	5.7%	5.7%	(1.3)%
Exceptional costs	(1.9)	(1.0)	(2.3)	(0.4)	(0.2)	(1.4)
Net interest (payable)/receivable	(1.8)	(0.6)	(0.2)	0.2	0.4	0.6
PROFIT BEFORE TAXATION	8.5	2.9	0.4	2.5	2.7	(1.4)
Taxation	(2.4)	(0.9)	-	(0.7)	(0.8)	0.5
Dividends	(1.8)	-	-	-	(1.1)	(0.1)
RETAINED PROFIT	4.3	2.0	0.4	1.8	0.8	(1.0)
CASH FLOW						
Operating cash flow	10.8	9.0	3.5	3.8	2.5	5.0
Net interest (payable)/receivable	(1.8)	(0.6)	(0.2)	0.2	0.4	0.6
Capital expenditure	(10.8)	(7.0)	(4.4)	(4.8)	(0.5)	(5.1)
Business acquisitions	(22.5)	(13.8)	-	(0.4)	-	(0.1)
Taxation	(1.1)	(0.8)	(1.1)	(0.9)	(0.4)	(2.8)
Leasing (net)	3.2	(0.2)	2.7	2.2	-	0.7
Dividend	(0.6)	-	-	-	(1.1)	(0.1)
Loans received	14.0	-	-	-	-	-
Shares issued	5.3	12.1	-	(0.1)	-	-
Net cash movement	(3.5)	(1.3)	0.5	-	0.9	(1.8)
Closing net cash	0.1	3.6	4.9	4.4	4.4	3.5
EMPLOYMENT OF CAPITAL						
Fixed assets	58.1	31.9	16.7	15.4	13.2	15.4
Net liabilities (including provisions and deferred grants)	(19.8)	(10.3)	(3.9)	(4.6)	(5.7)	(8.7)
	38.3	21.6	12.8	10.8	7.5	6.7
CAPITAL EMPLOYED						
Leasing over one year	10.2	6.2	4.6	2.9	1.2	1.1
Long term loans	19.0	-	-	-	-	-
Capital and reserves	9.2	15.3	8.3	7.9	6.4	5.6
	38.4	21.5	12.9	10.8	7.6	6.7
NET BORROWINGS						
Current asset investment	(1.0)	(3.0)	(4.4)	(4.3)	(4.2)	(3.3)
Bank and cash balances	0.9	(0.6)	(0.4)	(0.1)	(0.2)	(0.1)
Bank loan	14.0	-	-	-	-	-
Loan notes	5.0	-	-	-	-	-
Leasing						
Over one year	10.2	6.2	4.6	2.9	1.2	1.1
Under one year	5.5	3.1	1.8	0.8	0.4	0.4
	34.6	5.7	1.6	(0.7)	(2.8)	(1.9)
STATISTICS						
Earnings per share (as adjusted for the scrip issue on 27 April 1994)	17.9p	8.2p	1.0p	5.3p	5.5p	(2.6)p
Dividends per share	4.8p	-	-	-	6.9p	0.8p
Return on average net assets	50%	17%	4%	25%	32%	(32%)
Gearing ratio	377%	37%	18%	(9%)	(44%)	(34%)
Net assets per share	27p	64p	24p	23p	19p	16p
Net cash available for investment per share	22p	32p	6p	9p	4p	7p

Group Profit & Loss Account

FOR THE YEAR TO 2 JULY 1994

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

Douglas Adie (53) is Managing Director, South East. With over 20 years bus industry experience he has been Managing Director of London Central Bus Company Limited since its formation in 1988. He has now taken on additional responsibilities relating to Brighton & Oxford.

Martin Ballinger (51) is Managing Director. He led Northern General through deregulation of the bus industry in 1986 and the management buy-out in 1987. Having qualified as a Management Accountant in 1968, he held various accounting posts before joining NBC in 1972. He is also a director of Northern Enterprise Limited.

Duncan Clegg (53) is a non-executive director. Many years merchant banking experience brings a City view to the board. He is also a non-executive director of a number of other companies.

Christopher Moyes (46) is Commercial Director. He has been responsible for the marketing and operational side of the business since 1982.

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

The audit committee consists of Sir Michael Straker, M S A Ballinger and R D Clegg. The remuneration committee consists of Sir Michael Straker and R D Clegg.

ADVISORS

Finansial Advisors

Hill Samuel Bank Limited
100 Wood Street
London EC2P 2AJ

Stockbrokers

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

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

Auditors

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

Solicitors

Dickinson Dees
Cross House
Westgate Road
Newcastle NE99

Principal Bankers

Hill Samual Bank Limited
100 Wood Street
London EC2P 2AJ

Lloyds Bank plc
Grey Street
Newcastle NE99 1SL

Registrars

Lloyds Bank plc
Lloyds Bank Registrar
The Causeway
Worthing
West Sussex Bn99 6DA

Shareholder Information

Shareholder analysis

Range of holdings	**No of holders**	**%**	**Shares held** 000	**%**
1 - 10,000				
10,001 - 100,000				
100,001 - 500,000				
500,001 - 1,000,000				
Over 1,000,000				
		100.0%	36,450	100.0%

Classification of shareholders	**No of holders**	**%**	**Shares held** 000	**%**
Directors beneficial holdings				
Other individuals				
Trusts & pension funds				
Banks and nominees				
Insurance companies				
Other institutions				
		100.0%	36,450	100.0%

Directors' Report

The directors present their report and audited accounts for the year to 1 July 1995.

ACTIVITIES

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

TRADING

The profit and loss account appears on page . The directors propose that a final dividend of 4.8p be paid and that the retained profit for the year of £ , ,000 should be carried to reserves.

A review of the business of the group during the year and its prospects for the future can be found in the Chairman's statement and the financial and operating review on pages to .

FIXED ASSETS

The changes in fixed assets during the year are summarised in the notes to the accounts. In the opinion of the directors, the market value of the group's properties was not materially different from their net book value.

DIRECTORS

The directors and their interests in the share capital were:

		1995 No	1994 No
Sir Michael	Beneficial	164,256	164,256
D J Adie			–
M S A Ballinger	Beneficial	4,077,712	4,077,712
R D Clegg	Beneficial		–
C Moyes	Beneficial	3,523,152	3,523,152
	Non-beneficial	86,400	86,400
T H Shears	Beneficial	3,804,800	3,804,800
	Non-beneficial		

Mr R D Clegg was appointed on 2 February 1995. Mr D J Adie was appointed on September 1995. There have been no changes since the year end.

Mr R D Clegg retires by rotation and, being eligible, offers himself for re-election.

With the exception of Mr Ballinger, who has an interest in some shares of some of the subsidiaries as nominee for the company, no director has had a material interest in any contract that has subsisted during the year or at the year end.

SUBSTANTIAL SHAREHOLDINGS

On September 1995 the only shareholders, except the directors, with more than 3% were

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

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

AUDITORS AND THEIR RESPONSIBILITIES

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

that the group has maintained proper accounting records

that the accounts are in agreement with the accounting records

that directors' emoluments and other transactions with directors are properly disclosed in the accounts

that they have obtained all information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

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

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

CLOSE COMPANY STATUS

Directors' Report

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

MANAGEMENT AND STAFF

There are three approved share option schemes in existence intended to enable managers and staff to share in the prosperity of the group. In the original Executive scheme there remain unexercised options over 782,400 shares at the date of this report; 462,400 at 16.9375p between 1997 and 2001, 240,000 at 25p each between 1996 and 2003 and 80,000 at 25p each between 1997 and 2004. The new Executive scheme is approved but no options have yet been granted. The Savings Related scheme has been opened and options over shares granted. These are exercisable at p between and .

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

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

The company supports events in the North East community in which its employees participate. The company 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 £65,000 (1994 - £55,000).

GOING CONCERN

On the basis of current financial projection 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.

POST BALANCE SHEET EVENT

On 3 July 1995 London Central Bus Company Limited sold and leased back its PCV fleet at a value of £9.1 million. The net proceeds were used to further reduce the borrowings from Hill Samuel Bank Limited.

By Order of the Board

T H SHEARS
Secretary
September 1995

Corporate Governance

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

The Board

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

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

Audit Committee

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

Remuneration Committee

The Remuneration Committee is made up of all the non-executive directors and the Managing Director and is chaired by Sir Michael Straker. It has the responsibility for determining the remuneration, contract terms and other benefits for executive directors, including performance-related bonus and share option schemes.

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 XXX trustees, all employees and include the three executive directors, chosen to reflect the geographic and workplace, spread of the group. Martin Ballinger is Chairman of the trustees. The auditors and actuaries of the plan are both independent of the group.

Internal controls

The board is responsible for establishing and maintaining the group's system of internal controls. Internal control systems are designed to meet the particular needs of the company concerned and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. Guidelines on considering the effectiveness of internal controls have recently been finalised and the directors will report in accordance with the full requirements of the guidelines next year. The key procedures which the directors have established with a view to providing effective internal financial controls are as follows:

- a decentralised organisation structure with defined limits of responsibility and authority.

  an annual budgeting process with regular re-forecasting of results, identifying key risks and opportunities.
- four-weekly reporting of financial information to the board encompassing profit and loss, cashflow and balance sheet information and key operating ratios. All results are monitored by group executives. The company reports to shareholders twice a year.
- regular board reporting of specific matters including insurance, treasury management and foreign exchange exposures
- defined capital expenditure approval procedures.
- each group company maintains controls and procedures appropriate to the business. These are reviewed on an annual basis.
- a commitment to best practice in external reporting.

Compliance

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

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

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

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

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

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

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

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

We carried out our review in accordance with Bulletin 1995/1 `Disclosure relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the group's corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statement on going concern on page 16 in our opinion the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and the statement is not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the group, and examination of relevant documents, in our opinion the directors' statement on page 12 & 13 appropriately reflects the group's compliance with the other paragraphs of the Code specified for our review.

ERNST & YOUNG
Chartered Accountants
Newcastle upon Tyne

Report Of The Auditors

TO THE MEMBERS OF THE GO-AHEAD GROUP PLC

Ernst & Young Letter

Group Profit & Loss Account

FOR THE YEAR TO 2 JULY 1994

Notes to the Accounts

F O R   T H E   Y E A R   T O   1   J U L Y   1 9 9 5

11. Share Capital & Reserves

	Called up Share Capital £000	Share Premium £000	Revaluation Reserve £000	Capital Redemption Reserve £000	Other Reserve £000	Profit & Loss Account £000	Total Capital & Reserves £000
GROUP							
At 3 July 1993	138	36	918	5	3,337	4,438	8,872
Movements during the year							
Profit for the financial year	–	–	–	–	–	1,957	1,957
Revaluation reserve							
Surplus on disposal	–	–	(91)	–	–	91	–
Amortisation	–	–	(16)	–	–	16	–
Arising on share issues	1,086	11,941	–	–	–	–	13,027
Share issue costs	–	(863)	–	–	–	–	(863)
Capitalisation on scrip issue	2,114	(60)	–	(5)	–	(2,049)	–
Goodwill on acquisition	–	–	–	–	(7,679)	–	(7,679)
At 2 July 1994	3,338	11,054	811	–	(4,342)	4,453	15,314
Movements during the year							
Profit for the financial year	–	–	–-	–	–	4,270	4,368
Revaluation reserve							
Amortisation	–	–	(20)	–	–	20	–
Arising on share issues	307	5,037		–	–	–	5,344
Share issue costs	–	(82)	–	–	–	–	(82)
Goodwill on acquisition	–	–		–	(15,919)	(59)	(15,777)
At 1 July 1995	£3,645	£16,009	£791	£–	£(20,261)	£8,906	£ 5,429

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

The cumulative amount of goodwill written off at 1 July 1995 is £24,359,000 (1994 - £8,582,000) of which £962,000 (1994 - £903,000) has been written off to profit and loss account and £23,397,000 (1994 - £7,679,000) has been written off against other reserve.

Notes To The Accounts

F O R T H E Y E A R T O 1 J U L Y 1 9 9 5

3. Operating Profit

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

	1995 Ongoing £000	1995 Acquisitions £000	1995 Total £00	1994 £000
Materials and consumables				13,784
Fuel duty reimbursement (S.92 Finance Act 1965)	( )	( )	( )	(5,306)
External charges				7,930
Auditors remuneration -				
Audit fees				75
Non-audit services				93
Staff costs -				
Wages, salaries & expenses				33,115
Social security costs				2,614
Other pension costs				1,759
Depreciation - Owned assets				1,711
Leased assets				2,267
Operational leasing and renting charges -				
Property				17
Other				7
Other operating income				(1,104)
Profits on disposal of tangible assets		( )	(62)	(41)
Operating costs	£66,621	£30,862	£99,483	£56,921
Exceptional operating costs (See Note 4)	£1,375	£530	£1,905	£1,006

Expenses of acquisition include non-audit services of £ , (1994 - £16,000)

b) Reconciliation of operating profit to net cash inflow from operating activities is:

	1995	1994
Group operating profit	10,291	3,473
Depreciation	5,270	3,978
Movement on deferred government grant	(44)	(5)
Movement on provisions	(781)	26
Profits on disposal of tangible fixed assets	62	(41)
(Increase)/decrease in stock	(24)	13
(Increase)/decrease in debtors	(2,136)	264
Increase/(decrease) in creditors	(1,805)	1,297
Net cash inflow from operating activities	£10,833	£9,003

4. Exceptional Operating Costs

	1995	1994
Exceptional operating costs comprise:		
Payments to employees discretionary trust		200
Redundancy payments		234
Payments to secure changes to terms and conditions of employment		57
	£1,876	£1,006

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

5. Directors' Remuneration

The remuneration of the executive directors is determined by the Remuneration Committee. It is reviewed annually to ensure that it reflects current market practice and the responsibilities of the individuals concerned. The arrangements consist of basic salsry, contributions to the Group Pension Plan, use of a car, healthcare insurance, professional subscriptions and other benifits in accordance with typical company practice. It is made up as follows:

	Salary		Benefits in kind		Pension Contributions		Fees		Total	
	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994
Sir Michael Straker	–	–	–	–	–	–	15	11	15	11
Martin Ballinger	92	90	5	4	8	7	–	–	105	101
Duncan Clegg	–	–	–	–	–	–	2	–	2	–
Phillip Harmer	–	25	–	5	–	1	–	–	–	31
Christopher Moyes	80	78	–	4	–	6	–	–	–	88
Trevor Shears	80	78	–	5	–	6	–	–	–	88
	252	271		18		20	17	11		820

The number of directors receiving remuneration, excluding pension contributions, can be summarised as follows:

	1995	1994
£ 1 to £ 5,000	1	–
£ 10,001 to £ 15,000	1	1
£ 15,001 to £ 20,000		–
£ 25,001 to £ 30,000		1
£ 80,001 to £ 85,000	2	2
£ 90,001 to £ 95,000		1
£ 95,001 to £100,000		1

6. Employees

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

	1995 No	1994 No
Management		67
Administration and supervision		327
Maintenance and engineering		426
Drivers		1,988
Bar staff		13
		2,820

15. Company

Investments comprise ordinary shares in subsidiary and associated undertakings.
The movements are:

	1995 £000	1994 £000
At 2 July 1994	11,534	805
Acquisition of		
Deepbourne Limited	–	5,114
Grandforce Limited	–	6,349
London Central Bus Company Limited	–	–
O.K. Motor Services Limited	–	–
Armstrongs Motor Services Limited	–	–
Transfer of ownership within the group		
Brighton & Hove Bus and Coach Company Limited and Conway Advertising Services Limited	–	1,970
City of Oxford Motor Services Limited and others	–	–
Dividends paid out of pre-acquisition profits	–	(2,704)
At 1 July 1995	£40,352	£11,534

16. Fixed Asset Investments (cont'd)

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

	Nature of Business
Brighton & Hove Bus and Coach Company Limited	Bus and Coach Operator
City of Oxford Motor Services Limited	Bus and Coach Operator
The Gateshead & District Omnibus Company Limited	Bus Operator
Go-Ahead Leisure Limited	Public house owners and operators
Go-Ahead Northern Engineering Services Limited	Engineering Services
Langley Park Motor Company Limited	Bus and Coach Operator
London Central Bus Company Limited	Bus and Coach Operator
Low Fell Coaches Limited	Bus and Coach Operator
Metro Buses (Newcastle) Limited	Bus Operator
Northern General Transport Company, Limited	Bus Operator
The Northern National Omnibus Company Limited	Coach Operator
O.K. Motor Services Limited	Bus and Coach Operator
O.K. Motors (Inclusive Tours) Limited	Tour Operator
O.K. (Travel) Limited	Travel Agent
The Sunderland & District Omnibus Company Limited	Bus Operator
The Tynemouth & District Omnibus Company Limited	Bus Operator
The Tyneside Omnibus Company Limited	Bus Operator
The Venture Transport Company Limited	Bus Operator
Visitauto Limited	Taxi and Bus Operator
Wycombe Bus Company Limited	Bus Operator
Carfax Travel Limited	Non-trading
Conway Advertising Services Limited	Non-trading
Deepbourne Limited	Non-trading
Exeter City Nipper Limited	Non-trading
Go-Ahead Northern Limited	Non-trading
Grandforce Limited	Non-trading
F Lockey	Non-trading
Highstyle Holidays Limited	Non-trading
The Go-Ahead Company Limited	Non-trading
Go-Ahead Northern Trustee Company Limited	Pension Plan Trustee

The associated undertaking is Network Ticketing Limited (registered in England & Wales) in which the company holds 35% of the shares (at a cost of £348). The group's share of the associated undertaking's results and assets are not included because they are not material.

Notes To The Accounts

FOR THE YEAR TO 1 JULY 1995

1. Accounting Policies

(a) ACCOUNTING CONVENTION

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

(b) BASIS OF CONSOLIDATION

The group accounts incorporate the accounts of the company and each of its subsidiary undertakings for the year to 1 July 1995.

The group profit and loss account includes the results of London Central Bus Company Limited for the thirty-seven week period from its acquisition on 17 October 1994, the results of O.K. Motor Services Limited and its subsidiaries for the fourteen week period from their acquisition on 22 March 1995 and the results of Armstrongs Motor Services Limited for the two weeks from its acquisition on 16 June 1995. The purchase considerations have been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

(c) CAPITAL GRANTS

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

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

(d) LEASED ASSETS

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

(e) DEPRECIATION

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

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

(f) GOODWILL

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

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

(g) STOCKS

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

(h) BUILDING & VEHICLE REPAIRS

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

(i) DEFERRED TAXATION

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

(j) TURNOVER

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

(k) PENSION BENEFITS

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