2590560

NATIONAL EXPRESS

# ANNUAL REPORT 1991

NATIONAL EXPRESS GROUP LIMITED

National Express is the largest operator of long distance scheduled coach services throughout the United Kingdom. It is a unique business with an extremely well recognised brand name, and for many people it represents the only alternative to rail as a means of long distance travel.

National Express accounts for about 80% of all scheduled coach services in this country, serving 1,500 destinations, and is the sole UK member of Eurolines which operates an expanding network of scheduled express coach services from London to over 270 destinations in 15 countries.

National Express also operates Speedlink, which provides high-quality interlinking coach services between London's airports, together with other airport services, Jetlink and Flightline.

Express Travel comprises the group's in-house coach operations. The majority of National Express services are contracted out to some 80 operators, mostly regional bus companies, but many are independent coach companies. National Express devises the network of services, markets them, contracts out their operation, and ensures the maintenance of quality standards.

**Directors**

P.R. McEnhill *Chairman*

A.M. Davies

R.D. Hay

A.F. Mills

T. Mocroft

J.C. Myers

S.F. Welton

---

**Registered Office**

National Express Group Limited

Ensign Court

4 Vicarage Road

Edgbaston

Birmingham B15 3ES

Telephone 021 625 1122

Telex 339373 Fax 021 456 1397

*Secretary* J.H. Dodd

---

**Bankers**

Bank of Scotland

144/148 High Street

Southampton SO9 3LX

**Auditors**

Ernst & Young

Windsor House

3 Temple Row

Birmingham B2 5LA

**Solicitors**

Evershed Wells and Hind

10 Newhall Street

Birmingham B3 3LX

---

Registered in England, Number 2590560

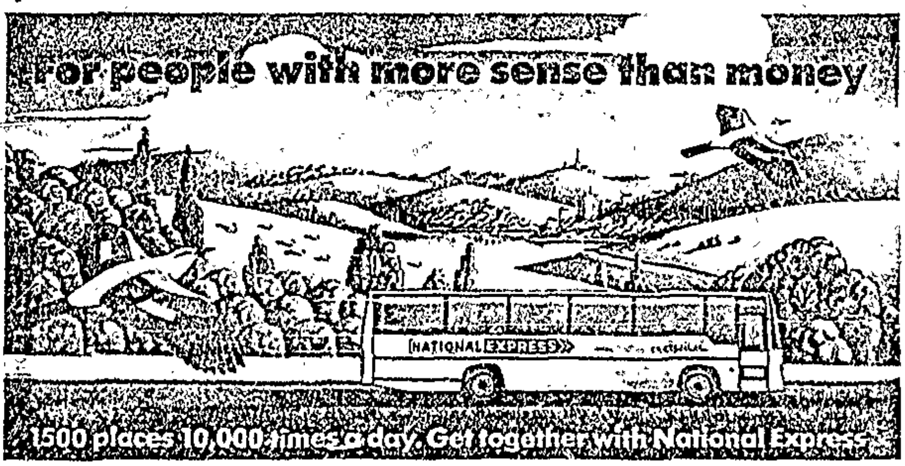
Contents

# CHAIRMAN'S REVIEW

On the 23 July 1991 National Express Group Limited acquired National Express Holdings Limited and all its subsidiaries, other than a sub-group principally comprising Crosville Wales Limited, a regional bus company, and Amberline Limited, which operates local buses and certain contracts on behalf of National Express Limited.

Steps taken since July 1991 to achieve this logical grouping include the disposal of stakes in joint venture coach operating companies and the consolidation of all the retained coach operating subsidiaries under the Express Travel name and organisation.

The initial objective of the new owners and management of the National Express Group has been to focus the group closely on three key businesses:




- the operation of a national network of long distance coach services – the National Express business
- participation in the operation of long distance coach services in continental Europe – the Eurolines (UK) business
- the operation of coaches on National Express contracts – the Express Travel business.

An important element of the existing National Express business is the services which it operates to most of Britain's major airports. We believe that the anticipated growth in air traffic over the next few years provides the group with significant commercial opportunities. To develop the group's interests in this area further, Speedlink Airport Services Limited was acquired on 25 October 1991. This company provides dedicated high speed coach links between London's airports, mainly servicing the requirements of airline passengers, and is seen as complementary to National Express's existing services to the airports.

## FINANCIAL PERFORMANCE

I am delighted to report a strong return to profitability in the core business, National Express Limited. This, together with the elimination of loss making activities, has resulted in a group pre-tax profit for the 24 weeks ended 31 December 1991 of £3,583,000 on sales of £56,104,000. This is highly satisfactory and marks a substantial turnaround from the losses incurred in 1990 which, for the group as then constituted, amounted to £4,206,000. I should emphasise, however, that group profit performance is strongly seasonal, and the period covered by these accounts is disproportionately profitable compared with the year as a whole.

## NATIONAL EXPRESS LIMITED

Much management action has been focused on National Express Limited to return it to profitability. Specifically, fare structures were fundamentally reviewed, and adjusted


to provide greater flexibility to respond to changing market conditions; unprofitable routes were investigated and, as a consequence, selective reductions were made in mileage operated; and the control of the buying of additional coaching resources to cover peak loading requirements has been centralised and streamlined. Substantial investment has been and continues to be made in upgrading and extending computer systems.

These actions, together with a firm control over general overheads, enabled the company to return to profitability in 1991. In addition, management is continuing to look closely at all aspects of routine operations and believes that further efficiencies are attainable.

The company has made a firm commitment to quality in all aspects of the business. To this end, in 1992, additional resources are being directed towards the enhancement of coach station facilities, the provision of extra training and the improvement of the working environment for all our employees.


Great emphasis is being placed on the enforcement of defined quality standards throughout the business.

## EUROLINES (UK) LIMITED

Eurolines (UK) Limited is the sole United Kingdom partner in the Europe-wide Eurolines partnership, providing international scheduled long distance coach travel, and has had a very successful year with profits over 30% above the comparable result for 1990. This performance reflects both a most encouraging increase in volume and improved margins through greater utilisation.

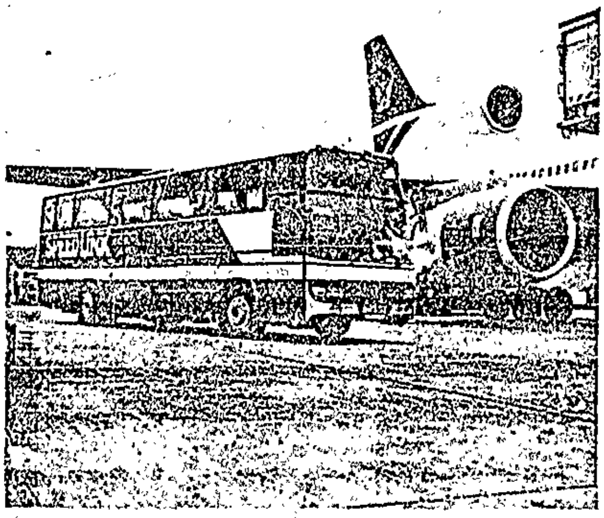
# CHAIRMAN'S REVIEW

EXPRESS TRAVEL LIMITED

The group's in-house coach operations have been consolidated into one company, Express Travel Limited. Overall performance in 1991 was satisfactory. 1992 sees the requirement for significant capital expenditure to replace an ageing and hard worked fleet.

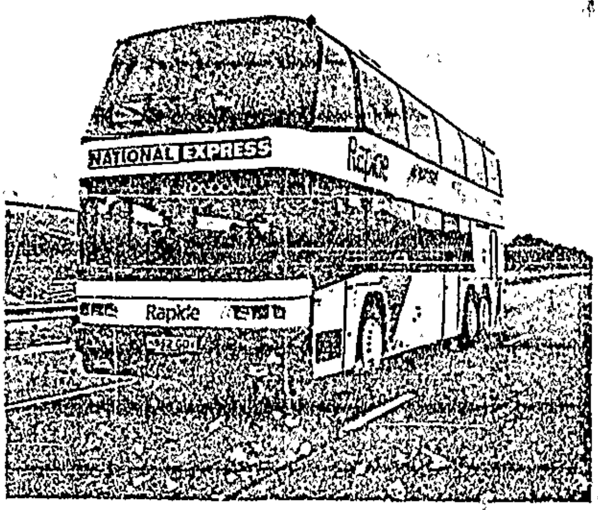
SPEEDLINK AIRPORT SERVICES LIMITED

Speedlink only formed part of the group for some 10 weeks of the period under review. It comfortably exceeded its own budget for 1991, producing an operating profit in excess of £700,000 and continues to trade well. I believe it is a very worthwhile acquisition with significant growth potential.




MANAGEMENT

The group board principally concerns itself with strategy and the overall direction of the subsidiaries. In addition to myself as Chairman and Chief Executive, the board consists of Tim Mocroft, Finance Director, who was formerly Finance Director of National Express Holdings Ltd; Adam Mills who, like me, is also a director of Drawlane Transport Group plc, a major shareholder; Roger Hay, a Director of ECI Ventures, and Stephen Welton, a Director of Henderson Venture Managers, representing our strong team of institutional




backers; and Clive Myers. Clive Myers was formerly Chairman and Chief Executive of National Express Holdings Limited. He remains non-executive Chairman of National Express Limited. His great experience and knowledge of the business are invaluable to the group.

Subsequent to the year end, the board has been very pleased to welcome Michael Davies as a non-executive director, and now he takes over the role of Chairman of the group from me, while I continue as Chief Executive. Michael Davies is a director of a number of major public companies including British Airways and TI Group and his experience will be a great asset to the board and the group as a whole.

# CHAIRMAN'S REVIEW

Our management philosophy is that executive responsibility in the subsidiaries should be devolved to boards composed of individuals who have extensive and specific knowledge of their business and market. Since acquisition we have reviewed the organisation and management structure of the largest company, National Express Limited, in detail, and numerous changes and some new appointments have been made. This process will continue in 1992 with particular emphasis on the training necessary to ensure an enhanced quality of service to the customer.

## OUR PEOPLE

The group's workforce has had to contend with very difficult conditions associated with the loss in 1990, a recessionary trading environment, the uncertainties surrounding the takeover and, particularly within National Express Limited, some major changes in organisation and culture. I will not pretend these changes are complete. I have, however, been very encouraged by the positive and supportive response of everybody at all levels. On behalf of the board I place on record my appreciation of their contribution to the successful result.

The board recognises the vital importance of employee motivation in achieving future success, and believes that all employees should have an opportunity to benefit from such success. Accordingly, it has now introduced a profit sharing scheme for each subsidiary based on its financial performance.

## THE FUTURE

The new group has made a good start. It is now soundly based financially, has made good progress in achieving necessary organisational changes, and is stable and well established in its market place.

There remains much work to be done, together with a number of problems to be faced, some related to legislative proposals. Equally, we perceive many exciting and accessible opportunities. I am confident that your board has the necessary skills and talents to minimise the effect of such problems, and to exploit opportunities effectively and successfully.

As regards 1992 I believe that, despite the lingering effects of recession, a very satisfactory result will be achieved.

P R McEnhill
Chairman
28th April 1992

# DIRECTORS REPORT AND ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1991

The Directors present their report and accounts for the period ended 31 December 1991.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS AND FUTURE DEVELOPMENTS.

The principal activities of the group are the planning, marketing and operation of long distance scheduled express coach services throughout the UK and the continent of Europe.

The Company was incorporated on 11 March 1991 as Offerletter Limited. The Company changed its name to Drawlane Express Limited by special Resolution on 8 April 1991, to Speedtheme Limited by Special Resolution dated 20 June, 1991 and to National Express Group Limited by Special Resolution dated 11 October 1991.

A summary of the results and developments for the period together with future prospects is given in the Chairman's Statement on pages 6 to 9.

RESULTS AND DIVIDEND

The group profit for the year attributable to shareholders amounts to £1,889,000 and is dealt with in the Profit and Loss Account. A Preference Dividend of £394,520 was paid during the period. The Directors do not recommend the payment of an Ordinary Dividend.

FIXED ASSETS

Movements in tangible fixed assets are detailed in note 13 to the accounts.

DIRECTORS

The Directors of the Company during the period were those listed on page 2 except for Mr A. M. Davies who was appointed on 13 February 1992. Instant Companies Limited acted as a Director from incorporation until 8 April 1991.

Messrs. P R McEnhill and A F Mills were appointed on 8 April 1991, Messrs. R O Hay, J C Myers and S F Welton were appointed on 25 July 1991 and Mr. T Mocroft was appointed on 6 August 1991.

DIRECTORS INTERESTS

No Directors had direct interests in the Share Capital of the Company at 31 December 1991.

However, Messrs. P R Mc EnHill and A F Mills each own 50% of the issued share capital of Yearncopy Limited which is the owner of 250,000 A Ordinary Shares of £1 each in National Express Group Limited.

No Director was interested in the preference shares of the Company or in the shares of any subsidiary undertaking.

# DIRECTORS REPORT AND ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1991

ALLOTMENT OF SHARE CAPITAL

The Share Capital allotted during the period was as follows:-

| | Number Allotted | Aggregate Nominal Value £ | Consideration Received £ |
|---|---|---|---|
| Ordinary Shares of £1 each | 750,000 | 750,000 | 750,000 |
| A Ordinary Shares of £1 each | 250,000 | 250,000 | 250,000 |
| Cumulative Redeemable 10% Preference Shares of £1 each | 9,000,000 | 9,000,000 | 9,000,000 |

The Share Capital was allotted to enable the Company to acquire National Express holdings Limited and Speedlink Airport Services Limited.

EVENTS SINCE THE BALANCE SHEET DATE

Subsidiary undertakings sold their shareholdings in two associated undertakings, Dorset Travel Services Limited and Trathens Travel Services Limited, in April 1992.

Dorset Travel Services Limited was sold to Bournemouth Transport Limited for a consideration of £450,000 paid in cash at completion on 3 April 1992.

Trathens Travel Services Limited was sold to Timeultra Limited for a consideration of £925,000 on 1 April 1992, £625,000 was paid on completion and the balance of £300,000 will be paid by 39 regular instalments over a period of 3 years. £255,000 of the balance of £300,000 is secured by a legal right of offset against monies due by National Express Limited to Trathens Travel Services Limited. The above disposal gave rise to a profit after taxation of approximately £750,000.

EMPLOYEES

The Group recognises its responsibilities for the employment of disabled persons. Having regard to their aptitudes and abilities the Group gives full and fair consideration to applications for employment received from disabled persons. So far as particular disabilities permit, it will give employees disabled during their period of employment continued employment in the same job or, if this is not practicable, a suitable alternative job wherever possible. Equal opportunities for appropriate training, career development and promotion are available to all employees regardless of any physical disability or their sex, religion, colour or nationality.

EMPLOYEE INVOLVEMENT

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 employee and subjects affecting day to day operations of the Group.

Discussions take place regularly with the trade unions representing the Group's employees on a wide range of issues.

Since the year end a group profit sharing scheme has been introduced through which employees will be encouraged to participate in the success of the business.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD

J H DOCON

SECRETARY

Date Approved by the Directors: 28 April 1992

# REPORT OF THE AUDITORS TO THE MEMBERS OF NATIONAL EXPRESS GROUP LIMITED

We have audited the accounts set out on pages 13 to 30 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 December1991 and of the profit and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
BIRMINGHAM
28 April 1992

# GROUP PROFIT AND LOSS ACCOUNT FOR THE PERIOD 23 JULY 1991 TO 31 DECEMBER 1991

| | NOTE | £000 |
|---|---|---|
| Turnover | 2 & 3 | 56,104 |
| Other Operating Income | | 2,358 |
| | | 58,462 |
| Operating Costs | 4 | 54,844 |
| OPERATING PROFIT | | 3,618 |
| Bank Interest Receivable | | 511 |
| Interest Payable and Similar Charges | 7 | (692) |
| PROFIT ON ORDINARY ACTIVITIES | | 3,437 |
| Share of profits less losses of Associated undertakings | | 146 |
| PROFIT BEFORE TAXATION | | 3,583 |
| Taxation | 8 | (1,694) |
| PROFIT ATTRIBUTABLE TO MEMBERS | | 1,889 |
| Dividends | 10 | (394) |
| BALANCE TRANSFERRED TO RESERVES | | 1,495 |

Movements in reserves are set out in note 26

# GROUP BALANCE SHEET AND COMPANY BALANCE SHEET AT 31 DECEMBER 1991

| | NOTE | GROUP £000 | COMPANY £000 |
|---|---|---|---|
| FIXED ASSETS | | | |
| Intangible Assets | 11 | 22,536 | — |
| Tangible Assets | 13 | 6,061 | 3 |
| Investment in Subsidiary Undertakings | 14 | — | 27,536 |
| Investment in Associated Undertakings | 15 | 587 | — |
| | | 29,184 | 27,539 |
| CURRENT ASSETS | | | |
| Stock | 16 | 1,525 | — |
| Debtors | 17 | 10,514 | 91 |
| Cash at Bank and in hand | | 4,223 | 4,223 |
| | | 16,262 | 4,314 |
| CREDITORS: amounts falling due within one year | 18 | (31,017) | (21,694) |
| NET CURRENT (LIABILITIES) | | (14,755) | (17,380) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 14,429 | 10,159 |
| CREDITORS: amounts falling due after more than one year | 19 | (1,419) | (148) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 21 | (1,515) | — |
| TOTAL ASSETS LESS LIABILITIES | | 11,495 | 10,011 |
| CAPITAL AND RESERVES | | | |
| Called up Share Capital | 24 | 10,000 | 10,000 |
| Profit and Loss Account | 26 | 1,495 | 11 |
| | | 11,495 | 10,011 |

T.Mocroft Director

Date Approved by the Directors: 28 April 1992

T. Mocroft

# GROUP STATMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 1991

| | NOTE | | £000 |
|---|---|---|---|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 33 | | 4,187 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 511 | |
| Interest paid | | (639) | |
| Interest element of finance lease rental payments | | (53) | |
| Dividends received from associated undertakings | | 22 | |
| Dividends paid | | (394) | |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVING OF FINANCE | | | (553) |
| INVESTING ACTIVITIES | | | |
| Payments to acquire tangible fixed assets | | (120) | |
| Receipts from sales of tangible fixed assets | | 44 | |
| Payments to acquire investments in subsidiary undertakings | 38 | (13,377) | |
| NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES | | | (13,453) |
| NET CASH (OUTFLOW) BEFORE FINANCING | | | (9,819) |
| FINANCING | | | |
| Issue of ordinary share capital | 35 | 10,000 | |
| Issue of loan notes | 35 | 1,500 | |
| Repayments of capital element of finance less rentals | 35 | (190) | |
| NET CASH INFLOW FROM FINANCING | | | 11,310 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 34 | | 1,491 |

1. ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings.

The accounts are prepared in accordance with applicable accounting standards.

(b) BASIS OF CONSOLIDATION

The group accounts consolidate the accounts of National Express Group Limited and all its subsidiary undertakings drawn up to 31 December. No Profit and Loss Account is presented for National Express Group Limited as permitted by section 230 of the Companies Act 1985.

The following undertakings purchased on the dates shown have been consolidated by the method of acquisition accounting

| | Date of Acquisition |
|---|---|
| National Express Holdings Limited | 23 July 1991 |
| Speedlink Airport Services Limited | 25 October 1991 |

The group accounts contain the results of the above undertakings from the date of acquisition based on audited accounts for the period ending 31 December 1991.

Undertakings, other than subsidiary undertakings, in which the group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. The group accounts include the appropriate share of those undertakings' results and reserves based on audited accounts to 31 December 1991.

(c) GOODWILL

Goodwill arising on the acquisition of subsidiary undertakings is written off against the Profit and Loss Account over its estimated useful economic life.

The useful economic life assigned to subsidiary undertakings is as follows:-

| | |
|---|---|
| National Express Holdings Limited | 20 years |
| Speedlink Airport Services Limited | 10 years |

(d) LEASE AND HIRE PURCHASE COMMITMENTS

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The interest element of rental obligations is charged to the Profit and Loss Account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

# NOTES TO THE ACCOUNTS – 31 DECEMBER 1991

(e) STOCK

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items. In the case of finished goods and work in progress costs consist of direct materials, labour and an appropriate proportion of overheads.

(f) DEFERRED TAXATION

Provision has been made for deferred taxation using the liability method on all timing differences to the extent that it is probable that the liability will crystallise.

(g) DEPRECIATION

Freehold and long leasehold land is not depreciated. Other tangible assets are depreciated on a straight line basis over their estimated useful lives as follows:-

| | |
|---|---|
| Leasehold Properties | Over the lesser of the period of the lease or 50 years |
| Freehold Buildings | 50 years |
| Public Service Vehicles | 2 – 12 years |
| Plant and Equipment | 3 – 10 years |

(h) PENSION COSTS

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as is possible, to the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension scheme is allocated over the average remaining service lives of current employees.

2. TURNOVER

The turnover of the Group is revenue from road passenger transport and related activities. All revenue is stated net of Value Added Tax where applicable.

3. ANALYSIS OF TURNOVER AND PROFIT BETWEEN ACTIVITIES

Group turnover and profit on ordinary activities before taxation by activity were as follows:-

| | Turnover £000 | Profit On Ordinary Activities Before Taxation £000 | Net Assets £000 |
|---|---|---|---|
| Coach Operations | 54,676 | 3,437 | 11,960 |
| Public Service Vehicle Dealership | 1,428 | — | (465) |
| | 56,104 | 3,437 | 11,495 |

All turnover arises in the United Kingdom.

# NOTES TO THE ACCOUNTS – 31 DECEMBER 1991

**4. OPERATING COSTS**

| | £000 |
|---|---|
| Amortisation – Goodwill | 499 |
| Materials and Consumables | 2,419 |
| External Charges | 45,558 |
| Auditors Remuneration | 58 |
| *Staff Costs – Wages and Salaries* | 4,429 |
| – Social Security costs | 360 |
| – Other Pension costs | 158 |
| Depreciation – Owned Assets | 362 |
| – Leased Assets | 173 |
| Operating Lease charges: | |
| Public Service Vehicles and Plant and Equipment | 371 |
| Land and Buildings | 457 |
| | 54,844 |

**5. EMPLOYEES**

The average number of employees (including Executive Directors) during the period to 31 December 1991 was as follows:-

| | No. |
|---|---|
| Managerial and Administrative | 95 |
| Operational | 943 |
| | 1,038 |

**6. DIRECTORS EMOLUMENTS**

The aggregate emoluments including pension contribution of the Directors of the Company in the period were:

| | Fees £000 | Other Emoluments £000 | Total £000 |
|---|---|---|---|
| Executive Directors | – | 130 | 130 |
| Non Executive Directors | 15 | — | 15 |
| | 15 | 130 | 145 |

| | |
|---|---|
| The emoluments of the highest paid Director (excluding pension contributions) during the period were | 80 |

The Chairman received no direct remuneration. However Drawlane Transport Group plc has a contract to supply the services of Mr. P R McEnhill as Chief Executive to National Express Group Limited for a minimum period of 15 months from 23 July 1991 at a monthly cost of £8,000.

The total amount charged during the period was £44,000.

Emoluments of other Directors (excluding pension contribution) falling within each bracket of £5,000 were as follows:-

| £ | No. |
|---|---|
| Nil – 5,000 | 4 |
| 40,000 – 45,000 | 1 |

7. INTEREST PAYABLE AND SIMILAR CHARGES

| | £000 |
|---|---|
| Finance Lease Charges | 53 |
| Bank Loans and Overdrafts | 230 |
| Other Loans | 391 |
| Promissory Notes | 18 |
| | 692 |

8. TAXATION

| | £000 |
|---|---|
| The charge/(credit) for the period comprises | |
| Based on the profit for the period: | |
| Corporation tax at 33% | 1,951 |
| Associated undertakings | 22 |
| Deferred Taxation | (279) |
| | 1,694 |

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £405,000

10. DIVIDENDS

| | £000 |
|---|---|
| Preference Dividend paid | 394 |

11. INTANGIBLE ASSETS

| GOODWILL | Group |
|---|---|
| COST | £000 |
| On acquisition of Subsidiary undertakings | 23,035 |
| | |
| AMORTISATION | |
| Provided during period | (499) |
| Net Book Amount at 31 December 1991 | 22,536 |

## 12. ACQUISITIONS DURING PERIOD

The Company made the following acquisitions during the period:

a) National Express Holdings Limited

The Company paid £11,882,000 to acquire the entire Share Capital of National Express Holdings Limited.

The fair value of the net liabilities was £8,293,000 giving rise to Goodwill of £20,175,000.

| | Book Value £000 | Revaluation £000 | Other Provisions £000 | Fair Value to the Group £000 |
|---|---|---|---|---|
| **Fixed Assets:** | | | | |
| Tangible | 6,420 | (767) (i) | — | 5,653 |
| Investment in Associates | 485 | — | — | 485 |
| **Current Assets:** | | | | |
| Stock | 2,176 | — | (250) (ii) | 1,926 |
| Debtors | 11,962 | — | — | 11,962 |
| Cash at Bank | 32 | — | — | 32 |
| TOTAL ASSETS | 21,075 | (767) | (250) | 20,058 |
| **Creditors:** | | | | |
| Bank Loans and Overdrafts | (3,615) | — | — | (3,615) |
| Corporation Tax | (394) | — | 83 (ii) | (311) |
| Trade and Other Creditors | (22,942) | — | — | (22,942) |
| Finance Leases | (471) | — | — | (471) |
| **Provisions:** | | | | |
| Deferred Tax | (170) | — | — | (170) |
| Other Provisions | (42) | — | (800) (iii) | (842) |
| TOTAL LIABILITIES | (27,634) | — | (717) | (28,351) |
| NET LIABILITIES | (6,559) | (767) | (967) | (8,293) |

(i) The value of properties at 23 July 1991 were assessed by the Directors in consultation with their professional advisors, Lambert Smith Hampton, Consultant Surveyors, and this revaluation has been reflected in these accounts.

(ii) A provision has been made against stock in order to state it at the lower of its cost or net realisable value.

(iii) A provision has been made for reorganisation costs in certain subsidiary undertakings.

The group profit after taxation includes £2,304,000 of profits earned by National Express Holdings Limited and its subsidiary undertakings.

National Express Holdings Limited and its subsidiary undertakings made a profit of £2,197,000 in the year ended 31 December 1991 (1990 – Loss £3,218,000) of which a loss of £107,000 arose in the period from 1 January 1991 to the effective date of acquisition.

b) Speedlink Airport Services Limited

The Company paid £3,154,000 to acquire the entire Share Capital of Speedlink Airport Services Limited.

The fair value and book value of the net assets was £294,000, giving rise to Goodwill of £2,860,000.

Details of the assets acquired are:

| | £000 |
|---|---|
| **Fixed Assets:** | |
| Tangible | 625 |
| **Current Assets:** | |
| Stock | 8 |
| Debtors | 893 |
| Cash at Bank | 19 |
| TOTAL ASSETS | 1,545 |
| **Creditors:** | |
| Trade and Other Creditors | (970) |
| Finance Leases | (172) |
| **Provisions:** | |
| Deferred Tax | (109) |
| TOTAL LIABILITIES | (1,251) |
| NET ASSETS | 294 |

The group profit after taxation includes a loss of £74,000 incurred by Speedlink Airport Services Limited.

The business conducted by Speedlink Airport Services Limited earned a profit of £125,000 in the year ended 31 December 1991 (1990 – Loss £1,380,000) of which £199,000 arose in the period from 1st January 1991 to the effective date of acquisition.

13. TANGIBLE ASSETS

The Tangible Assets at 31 December 1991 shown in the Balance Sheet are analysed as follows:

| GROUP | Short Leasehold Buildings £000 | Freehold Land and Buildings £000 | Public Service Vehicles £000 | Plant and Equipment £000 | Total £000 |
|---|---|---|---|---|---|
| COST OR VALUATION | | | | | |
| Acquisition of Subsidiary undertakings | 230 | 3,470 | 4,871 | 1,372 | 9,943 |
| Additions | 33 | 26 | 24 | 320 | 403 |
| Disposals | (21) | — | (452) | (128) | (601) |
| 31 DECEMBER 1991 | 242 | 3,496 | 4,443 | 1,564 | 9,745 |
| DEPRECIATION | | | | | |
| Acquisition of Subsidiary undertakings | 40 | 47 | 2,810 | 768 | 3,665 |
| Charge for the period | 108 | 27 | 242 | 160 | 537 |
| Disposals | (8) | — | (421) | (89) | (518) |
| 31 December 1991 | 140 | 74 | 2,631 | 839 | 3,684 |
| NET BOOK VALUE AT 31 December 1991 | 102 | 3,422 | 1,812 | 725 | 6,061 |

# NOTES TO THE ACCOUNTS – 31 DECEMBER 1991

The cost of land included within freehold land and buildings is £1,235,000

Net book value for the Group includes assets held under Finance Lease agreements as follows:-

| | £000 |
|---|---|
| Public Service Vehicles | 494 |
| Plant and Equipment | 304 |
| | 798 |

COMPANY

| COST | Plant and Equipment £000 |
|---|---|
| Additions | 3 |
| DEPRECIATION charge for the period | — |
| NET BOOK VALUE AT 31 DECEMBER 1991 | 3 |

14. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

COMPANY

COST

| | £000 |
|---|---|
| *Acquisitions in period:* | |
| National Express Holdings Limited | 11,882 |
| Speedlink Airport Services Limited | 3,154 |
| *Purchased from subsidiary undertakings* | 26,600 |
| Less: Dividend received from pre-acquisition profits | (11,000) |
| At December 1991 | 30,636 |
| PROVISION FOR DIMINUTION IN VALUE | |
| Provided in period | (3,100) |
| NET BOOK AMOUNT at 31 December 1991 | 27,536 |

The principal subsidiary undertakings of the Group (all of which are wholly owned and incorporated in Great Britain) are set out below:

| | |
|---|---|
| National Express Limited | Administration and marketing of express coach services in Great Britain |
| Eurolines (UK) Limited | Administration and marketing of express coach services to Europe |
| Carlton (PSV) Sales Limited | Sale of new and used Public Service Vehicles |
| Speedlink Airport Services Ltd | Operation of coaches |
| Tayside Travel Services Limited | Operation of long distance coach services |

All of these Companies are owned directly by National Express Group Limited

Tayside Travel Services Limited is registered in Scotland. All other companies are registered in England and Wales

Tayside Travel Services Limited changed its name to Express Travel Limited on 6 January 1992.

## 15. INVESTMENT IN ASSOCIATED UNDERTAKINGS

GROUP

| | £000 |
|---|---|
| Share of net assets | |
| Additions arising on acquisition of subsidiary undertakings | 485 |
| Share of retained profits | 102 |
| At 31 December 1991 | 587 |

Details of the associated undertakings which are incorporated in the United Kingdom and registered in England and Wales are as follows:-

| | Total Issued Capital £ | Proportion Held |
|---|---|---|
| Dorset Travel Services Limited | 100,000 | 50% |
| Trathens Travel Services Limited | 100,000 | 50% |
| National Expressliners Limited | 100,000 | 50% |

All the above companies are coach operators with the exception of National Expressliners Limited which is a coach distributor.

Investments in associated undertakings are owned by group subsidiary undertakings.

## 16. STOCK

| | GROUP £000 |
|---|---|
| Raw materials and consumables | 191 |
| Finished goods | 1,334 |
| | 1,525 |

## 17. DEBTORS – *Amounts falling due within one year*

| | GROUP £000 | COMPANY £000 |
|---|---|---|
| Trade Debtors | 7,600 | — |
| Subsidiary undertakings | — | 69 |
| Corporation Tax Recoverable | 101 | — |
| Other Debtors | 1,691 | 16 |
| Prepayments and Accrued income | 1,122 | 6 |
| | 10,514 | 91 |

18. CREDITORS – Amounts falling due within one year

| | GROUP £000 | COMPANY £000 |
|---|---|---|
| Loan Notes | 5723 | 5723 |
| Bank Loans and Overdrafts | 2,732 | 1,981 |
| Trade Creditors | 10,315 | — |
| Subsidiary Undertakings | — | 12,512 |
| Obligations under Finance Lease Agreements | 204 | — |
| Corporation Tax | 2,202 | — |
| Social Security and other Taxation | 445 | — |
| Accruals and Deferred Income | 7,597 | 478 |
| Deferred Consideration | 1,799 | 1,000 |
| | 31,017 | 21,694 |

Loan notes amounting to £4,223,000 are repayable at the earliest on 30 September 1992, at the option of the loan note holders, and at 3 monthly intervals thereafter. Any loan notes not previously repaid or purchased and cancelled will be repaid at par on 30 September 1998 together with accrued interest. Loan notes of £1,500,000 were repaid on 24 April 1992.

19. CREDITORS – Amounts falling due after more than one year

| | GROUP £000 | COMPANY £000 |
|---|---|---|
| Obligations under Finance Lease Agreements | 532 | — |
| Deferred Consideration | 739 | — |
| Other Creditors | 148 | 148 |
| | 1,419 | 148 |

The obligations under hire purchase and finance lease agreements are all repayable within five years.

20. BANK LOANS

Bank loans of the Group (£2,732,000) and of the Company (£1,981,000) are secured by fixed charges on certain of the Group's properties and a floating charge over all other assets of Group undertakings.

Deferred consideration amounting to £1,478,000 is guaranteed by one of the Group's bankers.

21. PROVISIONS FOR LIABILITIES AND CHARGES

| | Group £000 |
|---|---|
| Deferred Taxation (see note 22) | — |
| Other Provisions (see note 23) | 1,515 |
| | 1,515 |

## 22. DEFERRED TAXATION

| The balance and movement of the provision are as follows: | GROUP £000 |
|---|---|
| Subsidiary undertakings acquired | 279 |
| Transfer to Profit and Loss Account | (279) |
| AT 31 DECEMBER 1991 | — |

The major components of the provision for Deferred Taxation and the amounts not provided for are as follows:-

| | Provided £000 | Not Provided £000 |
|---|---|---|
| Accelerated Capital Allowances | 295 | 126 |
| Short term timing differences | (295) | (245) |
| Potential Capital Gains | — | 412 |
| | — | 293 |

## 23. OTHER PROVISIONS

| | Vehicle Repairs £000 | Acquisition Provisions £000 | Lease Termination Costs £000 | Total £000 |
|---|---|---|---|---|
| Subsidiary undertakings acquired | 42 | 800 | — | 842 |
| Provided in period | — | — | 851 | 851 |
| Utilised in period | — | (178) | — | (178) |
| At 31 December 1991 | 42 | 622 | 851 | 1,515 |

Amounts utilised in respect of the acquisition provision are reorganisation costs of £339,000 less tax relief of £161,000.

## 24. CALLED UP SHARE CAPITAL

| | Authorised £000 | Allotted and Fully Paid £000 |
|---|---|---|
| Ordinary Shares of £1 each | 1,331 | 750 |
| A Ordinary Shares of £1 each | 250 | 250 |
| Cumulative Redeemable 10% Preference Shares of £1 each | 9,214 | 9,000 |
| | 10,795 | 10,000 |

The redemption of the preference shares is analysed as follows:

| Redemption Date | Number of preference Shares to be redeemed |
|---|---|
| 31 December 1992 | 1,500,000 |
| 31 December 1993 | 3,000,000 |
| 31 December 1994 | 4,500,000 |

## 25. ALLOTMENT OF SHARE CAPITAL

The Share Capital allotted during the period was as follows:

| | Number Allotted | Aggregate Nominal Value £ | Consideration Received £ |
|---|---|---|---|
| Ordinary shares of £1 each | 750,000 | 750,000 | 750,000 |
| A Ordinary Shares of £1 each | 250,000 | 250,000 | 250,000 |
| Cumulative Redeemable 10% Preference Shares of £1 each | 9,000,000 | 9,000,000 | 9,000,000 |

The Share Capital was allotted to enable the Company to acquire National Express Holdings Limited and Speedlink Airport Services Limited.

## 26. PROFIT AND LOSS ACCOUNT

| | Holding Company £000 | Subsidiary Undertakings £000 | Associated Undertakings £000 | Group £000 |
|---|---|---|---|---|
| Retained for the period | 11 | 1,382 | 102 | 1,495 |

## 27. CAPITAL COMMITMENTS

| | Group £000 | Company £000 |
|---|---|---|
| Contracted | 783 | — |
| Not Contracted | 662 | — |
| | 1,445 | — |

28. COMMITMENTS TO PENSION FUND

The pensions charge for the period amounted to £158,000.

The group operates a number of pension schemes providing benefits based on final pensionable earnings. The assets of the schemes are held separately from those of the group, being invested in managed funds. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by qualified actuaries using the Projected Unit Method or the Attained Age Method as appropriate. The latest actuarial assessments of the principal schemes were as at 6 April 1989 and 6 April 1990.

The aggregate market value of the assets in these schemes at the date of the latest actuarial valuations was £2,415,000. The actuarial value of these represented approximately 100% of the liability for benefits that had accrued to that date after making full allowance for future earnings increases. One scheme had a deficit as at 31 December 1991 which is to be eliminated by a special payment of £15,000. Provision for this has been made in these accounts.

The principal assumptions made are that the rate of investment returns will be 10% per annum, earnings will increase at 8% per annum and, to value assets, that dividends will increase at 5% per annum.

The contributions of the Group and the employees are calculated such that there is no significant anticipated surplus or deficit for the scheme on a long-term basis and accordingly there is currently no variation between contributions paid and the regular pension cost recorded in these accounts.

29. CONTINGENT LIABILITY

The Group has a contingent liability in respect of certain obligations upon National Express Limited within operators contracts. No value can be placed upon this liability at the current time.

30. ANNUAL COMMITMENTS UNDER NON CANCELLABLE OPERATING LEASE AGREEMENT

GROUP

| | Land and Buildings £000 | Plant and Equipment £000 |
|---|---|---|
| Leases expiring:- | | |
| Within one year | 70 | 24 |
| Two to five years | 156 | 812 |
| Thereafter | 579 | 5 |
| | 805 | 841 |

31. PARTICULARS OF TRANSACTIONS INVOLVING DIRECTORS

a) Mr. P.R. McEnhill and Mr. A.F. Mills are Directors of and Shareholders in Bws Cymru Cyfyngedig, which is the ultimate holding company of Amberline Limited and Crosville Wales Limited which, during the period, under review received payments from National Express Limited for the operation of coach services.

b) Mr. P.R. McEnhill and Mr. A.F. Mills are Directors and Shareholders and Mr. J.C. Myers is a Director of Drawlane Transport Group plc. Its subsidiary company, Midland Fox Limited, received contractual payments from National Express Limited for the operation of coach services during the period under review.

c) Speedlink Airport Services Limited, which was formerly owned by Drawlane Transport Group plc, was sold to National Express Group Limited on 25 October 1991. Details of this transaction are set out in note 12b.

32. EVENTS SINCE THE BALANCE SHEET DATE

Subsidiary undertakings sold their shareholdings in two associated undertakings, Dorset Travel Services Limited and Trathens Travel Services Limited, in April 1992.

Dorset Travel Services Limited was sold to Bournemouth Transport Limited for a consideration of £450,000 paid in cash at completion on 3 April 1992.

Trathens Travel Services Limited was sold to Timeultra Limited for a consideration of £925,000 on 1 April 1992, £625,000 was paid on completion and the balance of £300,000 will be paid by 39 regular instalments over a period of three years. £255,000 of the balance of £300,000 is secured by a legal right of offset against monies due by National Express Limited to Trathens Travel Services Limited.

The above disposals give rise to a profit after taxation of approximately £750,000.

33. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | £000 |
|---|---|
| Operating Profit | 3,618 |
| Depreciation charges | 537 |
| Amortisation of goodwill | 499 |
| Loss on sale of tangible fixed assets | 39 |
| Provision raised for lease termination costs | 851 |
| Decrease in stocks | 409 |
| Decrease in debtors | 2,442 |
| Decrease in creditors | (3,869) |
| Net cash inflow continuing operating activities | 4,526 |
| Net cash outflow in respect of reorganisation costs | (339) |
| *Net cash inflow from operating activities* | 4,187 |

34. ANALYSIS OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

| | At 31 December 1991 £000 |
|---|---|
| Cash at bank and in hand | 4,223 |
| Bank overdrafts | (2,732) |
| | 1,491 |

35. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD

| | Share Capital £000 | Finance Lease Obligations £000 | Loan Notes £000 | Deferred Consideration £000 |
|---|---|---|---|---|
| On acquisition of subsidiary undertakings | — | 643 | — | 1,538 |
| Cash inflows/(outflows) from financing | 10,000 | (190) | 1,500 | — |
| Raised for non cash consideration | — | — | 4,223 | 1,000 |
| Inception of finance lease contracts (note 36) | — | 283 | — | — |
| | 10,000 | 736 | 5,723 | 2,538 |

Analysis of finance lease obligations and deferred consideration:-

| | Finance Lease Obligations £000 | Deferred Consideration £000 |
|---|---|---|
| Amounts falling due: | | |
| within one year | 204 | 1,799 |
| within 2 and 5 years | 532 | 739 |
| | 736 | 2,538 |

36. MAJOR NON-CASH TRANSACTIONS

(i) During the period the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £283,000. (see note 35).

(ii) Part of the consideration for the purchases of subsidiary undertakings that occurred during the year comprised loan notes and deferred consideration. Further details of the acquisitions are set out in note 37.

37. PURCHASE OF SUBSIDIARY UNDERTAKINGS

| Net assets acquired | £000 |
|---|---|
| Tangible fixed assets | 6,278 |
| Investments in associated undertakings | 485 |
| Stocks | 1,934 |
| Debtors | 12,855 |
| Cash at Bank and in hand | 51 |
| Bank Overdrafts | (3,615) |
| Creditors | (22,374) |
| Finance lease obligations | (643) |
| Deferred consideration | (1,538) |
| Corporation Tax | (311) |
| Provisions | (842) |
| Deferred taxation | (279) |
| | (7,999) |
| Goodwill | 23,035 |
| | 15,036 |
| Satisfied by: | |
| Issue of loan notes | 4,223 |
| Deferred consideration | 1,000 |
| Cash | 9,813 |
| | 15,036 |

38. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASE OF SUBSIDIARY UNDERTAKINGS

| | £000 |
|---|---|
| Cash consideration | 9,813 |
| Cash at bank and in hand acquired | (51) |
| Bank overdrafts of acquired subsidiary undertakings | 3,615 |
| | 13,377 |

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first Annual General Meeting of National Express Group Limited will be held at Ensign Court, 4 Vicarage Road, Edgbaston, Birmingham, B15 3ES, on Wednesday 20th May 1992 at 3.30 p.m.

1. To receive and adopt the directors' report and accounts for 24 week period ended 31 December 1991.
2. To appoint P R McEnhill a director.
3. To appoint A M Davies a director.
4. To appoint R O Hay a director.
5. To appoint A F Mills a director.
6. To appoint T Mocroft a director.
7. To appoint J C Myers a director.
8. To appoint S F Welton a director.
9. To appoint Ernst & Young auditors of the Company and to authorise the directors to fix their remuneration.
10. To transact any other business which may be properly dealt with at an Annual General Meeting.

By order of the Board

[illegible]

Secretary

28th April 1992

NOTES

Ordinary and preference shareholders are entitled to attend the meeting but only ordinary shareholders may VOTE.

A member of the Company entitled to attend and vote may appoint another person (whether a member or not) as his proxy to attend and on a poll, vote instead of him. Representatives appointed by corporations under Section 375 of the Companies Act 1985, may also vote on a show of hands. A form of proxy is enclosed for the use of members who may wish to vote but are unable to attend the meeting. This must reach the Registered Office not later than 3.30 p.m. on 18th May 1992, in order to be effective. The appointment of a proxy will not prevent a member from attending and voting at the meeting.

The following will be available for inspection at the Registered Office of the Company during business hours on any weekday (Saturday excluded) from the date of this notice until the conclusion of the meeting:

1. The Register of Directors' shareholdings and a statement of the transactions for each Director and his family in the equity share capital of the Company and its subsidiary undertakings during the 12 months to 28th April 1992.

2. Copies of the Directors' service contracts with the Company or any of its subsidiary undertakings other than those expiring or determinable by the employing company without compensation within one year.