

NORTH EAST BUS LIMITED

(Registered Number 121299)

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1996



NORTH EAST BUS LIMITED DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1996.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

G W Hodgson	Chairman. Appointed 30 July 1996
S P Lonsdale	Appointed 30 July 1996
P M White	Chairman. Resigned 30 July 1996
A E Woolner	Resigned 30 July 1996
D Leeder	Appointed 3 July 1996, Resigned 30 July 1996
M S Widmer	
K J Watson	
S J Burd	
J Counsell	Appointed 15 April 1996

None of the directors had any interest in the share capital of the company. G W Hodgson and S P Lonsdale had interests in the share capital of the ultimate parent company and these interests are disclosed in the accounts of that company. None of the other directors had interests in the share capital of the ultimate parent company.

ULTIMATE PARENT UNDERTAKING

On 30 July 1996, an offer to acquire the entire issued share capital of Drymona Limited, the intermediate parent undertaking, from National Express plc (the then ultimate parent undertaking), by Cowie Group plc became unconditional, and the recommended takeover was completed on 30 July 1996.

NORTH EAST BUS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITY STATEMENT

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 4, is made with a view to describing to shareholders the responsibilities of the directors in relation to the financial statements.

The directors are required by the companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

Following discussions with the auditors, the directors consider that in preparing the financial statements on pages 5 to 13, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed subject to any explanations and any material departures disclosed in the notes to the financial statements.

The directors have the responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

MATERIAL CONTRACTS

There were no contracts subsisting during or at the end of the year in which a director is or was materially interested.

ACTIVITIES

The principal activity of the company is the provision of administrative and engineering services to subsidiaries and fellow subsidiaries.

STATE OF AFFAIRS

In the opinion of the directors the state of affairs of the company is satisfactory.

DEVELOPMENT OF THE BUSINESS

The directors consider the results for the year to be satisfactory in the current climate and are looking forward to the future with optimism.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £2,013,000 (1995-£125,000). The directors recommend a dividend of £3,307,000 (1995-£Nil) be paid and that the balance of £1,294,000 loss (1995-£125,000 profit) is transferred from reserves.

FIXED ASSETS

The movements in tangible fixed assets and fixed asset investments are shown in Note 5 and Note 6 to the accounts, respectively.

NORTH EAST BUS LIMITED
DIRECTORS' REPORT (CONTINUED)

POLICY REGARDING PAYMENT OF SUPPLIERS

The company's policy regarding the payment of suppliers is either to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the payment terms, and in either case to pay in accordance with its contractual or other legal obligations.

AUDITORS

The previous auditors, Ernst and Young, resigned on 30 July 1996, and Price Waterhouse were appointed. Price Waterhouse are willing to continue in office and resolutions as to their re-appointment and remuneration will be proposed at the Annual General Meeting.

Approved by the Board



D P TURNER
Secretary

18 March 1997

AUDITORS' REPORT TO THE MEMBERS OF NORTH EAST BUS LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Newcastle Upon Tyne

18 March 1997

NORTH EAST BUS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	Year ended 31 December 1996 £'000	9 Months ended 31 December 1995 £'000
TURNOVER			
Continuing operations	1	19	22
COST OF SALES		<u>(35)</u>	<u>(23)</u>
GROSS LOSS		(16)	(1)
NET OPERATING EXPENSES	2a)	<u>(146)</u>	<u>(19)</u>
OPERATING LOSS continuing operations		(162)	(20)
INTEREST RECEIVABLE		72	115
DIVIDENDS RECEIVED FROM GROUP UNDERTAKINGS		<u>2039</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2b)	1949	95
TAX ON PROFIT ON ORDINARY ACTIVITIES	4	<u>64</u>	<u>30</u>
PROFIT FOR THE FINANCIAL YEAR		2013	125
EQUITY DIVIDENDS PAID AND PROPOSED		<u>(3307)</u>	<u>-</u>
TRANSFER (FROM) TO RESERVES	12	<u>(1294)</u>	<u>125</u>
		=====	=====

There have been no discontinued operations and there have been no recognised gains and losses other than the profit for the period as shown above.

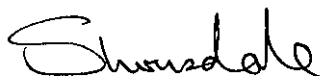
There is no difference between profit on ordinary activities after tax as shown in the profit and loss account, and the historical cost profit for the year.

The notes on pages 7 to 13 form part of these accounts.

NORTH EAST BUS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1996

	Note	31 December 1996 £'000	31 December 1995 £'000
FIXED ASSETS			
Tangible assets	5	136	179
Investments	6	<u>210</u>	<u>210</u>
		346	389
CURRENT ASSETS			
Stocks	7	212	216
Debtors	8	4229	10063
Cash in hand and at bank		<u>4775</u>	<u>5280</u>
		9216	15559
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(3032)</u>	<u>(8124)</u>
NET CURRENT ASSETS		<u>6184</u>	<u>7435</u>
		6530	7824
CAPITAL AND RESERVES			
Called up equity share capital	11	6406	6406
Profit and loss account	12	<u>124</u>	<u>1418</u>
		6530	7824

APPROVED BY THE BOARD ON
18 MARCH 1997



S P LONSDALE
Director

The notes on pages 7 to 13 form part of these accounts.

NORTH EAST BUS LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1996

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable Accounting Standards.

(1) Basis of accounting

The company prepares its accounts on the historical cost basis of accounting.

(2) Cash flow

The ultimate parent company has adopted FRS 1 and has prepared a group cash flow statement, accordingly the company is exempt from preparing a cash flow statement.

(3) Stocks

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

(4) Depreciation

Depreciation of tangible fixed assets is based on cost or valuation and is calculated to write off the cost or valuation of assets in equal instalments over their expected lives at the following annual rates:

Other vehicles	- Over periods up to 5 years
Plant and machinery	- Over periods up to 10 years
Other equipment	- Over periods up to 10 years

(5) Deferred taxation

Provision is made on a liability basis for tax deferred by timing differences to the extent that there is reasonable probability that the tax deferral will crystallise in the foreseeable future.

(6) Pensions

There are two retirement benefit schemes covering employees of the company, a defined benefit scheme and a defined contribution money purchase scheme.

Contributions in respect of the defined benefits scheme are charged to the profit and loss account so as to spread the cost of pensions over the average expected service period of employees in the scheme.

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

NORTH EAST BUS LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(8) Turnover

Turnover comprises income from commission, engineering services, and income from other commercial services.

Turnover arises within the United Kingdom and excludes value added tax.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

a) Net operating expenses:

	Year ended 31 December 1996 £'000	9 Months ended 31 December 1995 £'000
Continuing operations:		
Administrative expenses	155	25
Other operating income	<u>(9)</u>	<u>(6)</u>
	146	19
	=====	=====

b) Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 1996 £'000	9 Months ended 31 December 1995 £'000
Depreciation	51	47
Auditors' remuneration:		
Audit fees	10	8
Staff costs:		
Wages and salaries	1618	931
Social security costs	118	68
Other pension costs [See Note 10]	115	72
Redundancy costs	-	125
	=====	=====

NORTH EAST BUS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

3. DIRECTORS' REMUNERATION

The directors received emoluments as executives including salaries, benefits in kind and contributions by the company for pensions and other related payments totalling £292,568 (1995-£151,000).

The directors' emoluments (excluding pension contributions) included the highest paid director £109,749 (1995-£55,000).

The directors received emoluments (excluding pension contributions) in the following ranges:

	Year ended 31 December 1996 Number	9 Months ended 31 December 1995 Number
£0 - £5,000	5	5
£30,001 - £35,000	-	1
£35,001 - £40,000	1	1
£45,001 - £50,000	1	-
£50,001 - £55,000	-	1
£55,001 - £60,000	1	-
£105,001 - £110,000	1	-

4 TAXATION

	1996 £'000	1995 £'000
Tax credit on profit on ordinary activities comprises the following:		
Corporation tax at 33%	(64)	(35)
Deferred Tax:		
Adjustment relating to prior period	-	5
	<u>(64)</u>	<u>(30)</u>

NORTH EAST BUS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

5 TANGIBLE FIXED ASSETS

	Vehicles £'000	Plant, Machinery and other Equipment £'000	Total £'000
Cost or valuation			
At 1 January 1996	160	859	1019
Additions	-	2	2
Disposals	(19)	-	(19)
Intra group transfers in	<u>8</u>	<u>5</u>	<u>13</u>
At 31 December 1996	<u>149</u>	<u>866</u>	<u>1015</u>
Depreciation			
At 1 January 1996	108	732	840
Charge for year	24	27	51
Disposals	(19)	-	(19)
Intra group transfers in	<u>4</u>	<u>3</u>	<u>7</u>
At 31 December 1996	<u>117</u>	<u>762</u>	<u>879</u>
Net book amount			
At 31 December 1996	<u>32</u>	<u>104</u>	<u>136</u>
At 1 January 1996	<u>52</u>	<u>127</u>	<u>179</u>

6 FIXED ASSET INVESTMENTS

	Shares in subsidiary companies 1996 and 1995 £'000
Cost	212
Provision	<u>(2)</u>
Net book value	<u>210</u>

In the opinion of the directors the value of the investment is not less than the amount shown in the accounts.

The companys' investments represent 100% of the issued £1 ordinary share capital of the following companies:

	Principal Activity
North East Bus Properties Limited	Property Management
Tees & District Transport Company Limited	Public Transport
United Automobile Services Limited	Public Transport
United Automobile Enterprises Limited	Dormant
Peoples Bus Company Limited	Dormant

All the above companies were registered in England and Wales and operated in their country of incorporation.

NORTH EAST BUS LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

7 STOCKS

	31 December 1996 £'000	31 December 1995 £'000
Raw materials and consumables	212	216
	<u>=====</u>	<u>=====</u>

8 DEBTORS

	31 December 1996 £'000	31 December 1995 £'000
Amounts owed by group undertakings	3760	9368
Trade debtors	11	15
Prepayments and accrued income	54	54
Other debtors	340	590
Group relief	<u>64</u>	<u>36</u>
	4229	10063
	<u>=====</u>	<u>=====</u>

9 CREDITORS

	31 December 1996 £'000	31 December 1995 £'000
Amounts falling due within one year:		
Amounts owed to group undertakings	1542	7212
Trade creditors	621	475
Creditors for taxation and social security	25	38
Accruals and deferred income	675	392
Other creditors	<u>169</u>	<u>7</u>
	3032	8124
	<u>=====</u>	<u>=====</u>

The company is party to an unlimited multi-lateral guarantee involving the bank borrowings of Cowie Group plc and other group undertakings.

NORTH EAST BUS LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

10 PROVISIONS FOR LIABILITIES AND CHARGES

Pension commitments

There are two retirement benefit schemes providing benefits to certain employees of the company.

a) Retirement Benefit Plan

Some employees of the company are members of a group operated defined benefit scheme. Contributions to the scheme which is fully funded, are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are based on pension costs as a whole across the participating companies and are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was at 1 April 1995.

b) Money Purchase Scheme

Some employees of the company are members of a group operated defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to both schemes and amount to £115,000 (1995: £72,000)

Contributions amounting to £ 9,000 (31 December 1995: £8,000) were payable to the defined contribution scheme at the period end and are included in creditors.

11 CALLED UP EQUITY SHARE CAPITAL

	31 December 1995 and 31 December 1996 £'000
Authorised	
Ordinary shares of £1 each	6500
	=====
Allotted and fully paid	
Ordinary shares of £1 each	6406
	=====

NORTH EAST BUS LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

12 RESERVES

	Profit and loss account £'000
At 1 January 1996	1418
Retained loss for the year	<u>(1294)</u>
At 31 December 1996	<u>124</u>

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Year ended 31 December 1996 £'000	9 Months ended 31 December 1995 £'000
Profit for the year	2013	125
Dividends	<u>(3307)</u>	<u>-</u>
Net movement in shareholders' funds	(1294)	125
Opening shareholders' funds	<u>7824</u>	<u>7699</u>
Closing shareholders' funds	<u>6530</u>	<u>7824</u>

14 PARTICULARS OF EMPLOYEES

The average number of employees during the year was 93 (1995 - 102).

15 ULTIMATE PARENT COMPANY

The ultimate parent company and ultimate controlling party at the end of the year is Cowie Group plc, a company which operates and is registered in England and Wales, and which has prepared group accounts incorporating the results of North East Bus Limited. Copies of these accounts can be obtained from Millfield House, Hylton Road, Sunderland SR4 7BA.

Transactions with other companies in the Cowie Group are not specifically disclosed as the company has taken advantage of the exemption available under FRS 8 "Related Party Disclosures" for wholly owned subsidiaries.