

TEESSIDE MOTOR SERVICES LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED
31 MARCH 1995**

Company Number: 803241



TEESSIDE MOTOR SERVICES LIMITED

Report for the Fifteen Months Ended 31 March 1995

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TEESSIDE MOTOR SERVICES LIMITED

Directors' Report for the Fifteen Months Ended 31 March 1995

1. The directors present their report and the audited financial statements for the fifteen months ended 31 March 1995.
2. On 24 November 1994 the entire issued share capital of the then ultimate parent company Drymona Limited was acquired by WM Ventures Limited, which is a wholly owned subsidiary of West Midlands Travel Limited.

Principal Activities

3. The company is engaged in the provision of bus services in the North of England.

Review of Business and Future Developments

4. Both the level of business and the year end financial position were satisfactory, and the directors expect the present level of activity will be sustained for the foreseeable future.

Dividends and Transfer to Reserves

5. The directors do not recommend the payment of a dividend. The profit for the financial period of £393,000 will be transferred to reserves.

Directors

6. The directors of the company at 31 March 1995 are listed below. All the directors served throughout the period or from date of appointment if later or to the date of resignation.

B J Kerslake	(appointed 24 November 1994) Chairman
P M White	(appointed 24 November 1994)
K Hodgson	(resigned 24 November 1994)
M S Widmer	
S Spinks	(resigned 10 March 1995)
D Grace	(resigned 24 November 1994)
K Watson	
R F Knight	(appointed 1 January 1994, resigned 20 May 1994)
S J Burd	(appointed 4 July 1994)

7. Mr B J Kerslake resigned on 1 September 1995.

Directors' Interests

8. None of the directors who held office at the end of the financial period had any interests in the shares of the company.

TEESSIDE MOTOR SERVICES LIMITED

Directors' Report for the Fifteen Months Ended 31 March 1995 (Continued)

Directors' Interests (Continued)

9. The interests of Mr B J Kerslake and Mr P M White in shares and share options in the ultimate parent undertaking are shown in the financial statements of that company.

Changes in Fixed Assets

10. The movements in fixed assets during the period are set out in note 7 to the financial statements.

Post Balance Sheet Event

11. On 26 April 1995 an offer to acquire the entire issued share capital of West Midlands Travel Limited by National Express Group PLC became unconditional and the recommended Merger Offer ("the Merger") was completed on 19 July 1995.

Statement of Directors' Responsibilities

12. The directors are required by UK company law to prepare financial statements for each financial year that 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 of the company for that period.
13. The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the 15 months ended 31 March 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.
14. The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

15. The auditors, KPMG Peat Marwick resigned on 24 November 1994 and Coopers & Lybrand were appointed. A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the Board

L Richards 

Company Secretary

13 September 1995

Report of the Auditors to the Members of Teesside Motor Services Limited

We have audited the financial statements on pages 5 to 13.

Respective Responsibilities of Directors and Auditors

As described on page 3 the company's directors are responsible for the preparation of the 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 company's state of affairs at 31 March 1995 and of the profit of the company for the fifteen months then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham

13 September 1995

TEESSIDE MOTOR SERVICES LIMITED

Profit and Loss Account for the Fifteen Months Ended 31 March 1995

	Notes	15 months ended 31 March 1995 £'000	Year ended 31 December 1993 £'000 as restated
Turnover - continuing operations	2	3,312	2,769
Cost of sales - continuing operations		(1,536)	(1,188)
Gross profit		1,776	1,581
Administrative expenses - continuing operations		(1,082)	(1,016)
Other operating income - continuing operations		19	13
Profit on ordinary activities before taxation	5	713	578
Tax on profit on ordinary activities	6	(320)	(28)
Retained profit for the financial period	13	393	550

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

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

TEESSIDE MOTOR SERVICES LIMITED

Balance Sheet as at 31 March 1995

	Notes	31 March 1995 £'000	31 December 1993 £'000
Fixed assets			
Tangible assets	7	<u>1,014</u>	<u>1,137</u>
Current assets			
Stocks	8	23	19
Debtors	9	1,177	684
Cash at bank and in hand		<u>461</u>	<u>228</u>
		1,661	931
Creditors: Amounts falling due within one year	10	<u>(578)</u>	<u>(568)</u>
Net current assets		<u>1,083</u>	<u>363</u>
Total assets less current liabilities		<u>2,097</u>	<u>1,500</u>
Provision for liabilities and charges	11	<u>(204)</u>	<u>-</u>
Net assets		<u><u>1,893</u></u>	<u><u>1,500</u></u>
Capital and reserves			
Called up share capital	12	5	5
Profit and loss account	13	<u>1,888</u>	<u>1,495</u>
Equity shareholders' funds	14	<u><u>1,893</u></u>	<u><u>1,500</u></u>

The financial statements on pages 5 to 13 were approved by the Board of Directors on 13 September 1995 and were signed on its behalf by:



Director

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

TEESSIDE MOTOR SERVICES LIMITED

Notes to the financial statements for the fifteen months ended 31 March 1995

1. Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. As the company is a wholly owned subsidiary of West Midlands Travel Limited, it is exempt under the terms of Financial Reporting Standard No 1 from publishing a cashflow statement. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Changes in comparative figures

The comparative figures in the profit and loss account have been restated to categorise costs between gross profit and net operating expenses on a basis consistent with the ultimate parent undertaking. Costs totalling £2,204,000 previously described as operating costs have been reclassified as cost of sales and administrative expenses of £1,188,000 and £1,016,000 respectively.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on the following bases:

Public service vehicles	12 years
Other vehicles	3 to 5 years
Plant and equipment	3 to 10 years

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks

Stocks, which comprise spare parts and fuel, have been valued at cost. In addition, provision is made for obsolescence in order to value stocks at the lower of cost or net realisable value.

TEESSIDE MOTOR SERVICES LIMITED

Notes to the financial statements for the fifteen months ended 31 March 1995

1. Principal Accounting Policies (Continued)

Deferred taxation

Deferred taxation has been provided using the liability method on all material timing differences. A deferred tax asset or liability is recorded if the timing differences are expected to reverse in the foreseeable future.

Pension scheme arrangements (see note 18)

Employees of the company and some of its subsidiaries are also members of a group operated pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. 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 company.

2. Turnover

Turnover represents amounts receivable for services net of value added tax. The source and destination of turnover is wholly within the United Kingdom and arises from a single class of business.

3. Directors' Emoluments

None of the directors received any remuneration from the company during the period (1993: Nil).

The directors of the company are employed by and received their emoluments from North East Bus Limited, Westcourt Bus Group Limited or West Midlands Travel Limited. Details of their remuneration are shown in the relevant company's financial statements.

TEESSIDE MOTOR SERVICES LIMITED

Notes to the financial statements for the fifteen months ended 31 March 1995

4. Employee Information

The average number of persons employed by the company (including directors) during the period was:

	Number of employees	
	15 months ended 31 March 1995	Year ended 31 December 1993
Drivers	72	72
Engineers	14	16
Others	7	7
	<u>93</u>	<u>95</u>
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	1,385	1,168
Social security costs	136	118
Other pension costs	1	4
	<u>1,522</u>	<u>1,290</u>

5. Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	15 months ended 31 March 1995 £'000	Year ended 31 December 1993 £'000
Auditors' remuneration		
- audit services	2	3
- non audit services	1	1
Depreciation of tangible fixed assets	138	71

6. Tax on Profit on Ordinary Activities

	15 months ended 31 March 1995 £'000	Year ended 31 December 1993 £'000
United Kingdom corporation tax at 33% (1993: 33%) on the profit for the period on ordinary activities	191	86
Adjustment relating to an earlier year	(14)	(60)
Deferred tax:		
- current period	143	2
	<u>320</u>	<u>28</u>

TEESSIDE MOTOR SERVICES LIMITED

Notes to the financial statements for the fifteen months ended 31 March 1995

7. Tangible Fixed Assets

	Public service vehicles £000	Plant, equipment and vehicles £000	Total £000
Cost			
At 1 January 1994	1,472	156	1,628
Additions	-	15	15
Transfer to group companies	(10)	-	(10)
At 31 March 1995	<u>1,462</u>	<u>171</u>	<u>1,633</u>
Depreciation			
At 1 January 1994	391	100	491
Charge for year	120	18	138
Transfer to group companies	(10)	-	(10)
At 31 March 1995	<u>501</u>	<u>118</u>	<u>619</u>
Net book value			
At 31 March 1995	<u>961</u>	<u>53</u>	<u>1,014</u>
At 31 December 1993	<u>1,081</u>	<u>56</u>	<u>1,137</u>

8. Stocks

	31 March 1995 £'000	31 December 1993 £'000
Engineering spare parts, spare units, fuel, uniforms and stationery	<u>23</u>	<u>19</u>

9. Debtors

	31 March 1995 £'000	31 December 1993 £'000
Amounts due within one year		
Trade debtors	25	16
Amounts owed by parent and fellow subsidiary undertakings	1,106	617
Other debtors	6	3
Deferred tax (note 15)	-	8
Prepayments and accrued income	40	40
	<u>1,177</u>	<u>684</u>

TEESSIDE MOTOR SERVICES LIMITED

Notes to the financial statements for the fifteen months ended 31 March 1995

10. Creditors: Amounts falling due within one year

	31 March 1995 £'000	31 December 1993 £'000
Bank loans and overdrafts	-	54
Payments received on account	34	31
Trade creditors	34	66
Amounts owed to parent and fellow subsidiary undertakings	106	119
Corporation tax	198	92
Other creditors including taxation and social security	30	34
Other creditors	149	144
Accruals and deferred income	27	28
	<u>578</u>	<u>568</u>

11. Provision for Liabilities and Charges

	Insurance fund £'000	Deferred tax £'000	Total £'000
At 1 January 1994	-	-	-
Charged to profit and loss account	69	135	204
At 31 March 1995	<u>69</u>	<u>135</u>	<u>204</u>

12. Called Up Share Capital

	31 March 1995 £'000	31 December 1993 £'000
Authorised		
5,000 ordinary shares of £1 each	<u>5</u>	<u>5</u>
Allotted, called up and fully paid		
5,000 ordinary shares of £1 each	<u>5</u>	<u>5</u>

13. Profit and Loss Account

	£'000
At 1 January 1994	1,495
Retained profit for the period	393
At 31 March 1995	<u>1,888</u>

TEESSIDE MOTOR SERVICES LIMITED

Notes to the financial statements for the fifteen months ended 31 March 1995

14. Reconciliation of Movements in Equity Shareholders' Funds

	15 months ended 31 March 1995 £'000	Year ended 31 December 1993 £'000
Opening shareholders' funds	1,500	950
Retained profit for the financial period	393	550
Closing shareholders' funds	1,893	1,500

15. Deferred Tax

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability are as follows:

	Amount provided		Amount unprovided	
	1995 £'000	1993 £'000	1995 £'000	1993 £'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	189	-	-	77
Other	(2)	(8)	-	-
	<u>187</u>	<u>(8)</u>	<u>-</u>	<u>77</u>

The deferred tax asset of £8,000 at 31 December 1993 was included in debtors.

16. Financial Commitments

The assets of the company are subject to a fixed and floating charge as security against bank borrowings of £25,000,000 by West Midlands Travel Limited.

17. Capital Commitments

The company had no capital commitments at 31 March 1995 (1993: £Nil).

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Notes to the financial statements for the fifteen months ended 31 March 1995

18. Pension Scheme

Employees of the company and some of its subsidiaries are members of a group operated defined benefit scheme. Contributions to this 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 1992. Particulars of the actuarial valuation of the group scheme are contained in the financial statements of Westcourt Group Limited.

At 31 March 1995, none (1994: 1) of the company's employees was a member of the scheme. During the period ended 31 March 1995, the pension charge to the profit and loss account was £1,244 (1994: £4,168).

Contributions amounting to £1,004 (1993: £2,149) were payable to the defined contribution scheme at the period end and are included in creditors.

19. Ultimate Parent Undertaking

The company is a wholly owned subsidiary of Bluebird Securities Limited, a company registered in England and Wales. West Midlands Travel Limited is the parent undertaking of the whole Group for which Group financial statements are prepared. Copies of the parent's consolidated financial statements may be obtained from The Secretary, West Midlands Travel Limited, St Andrew's House, 10 St Paul's Square, Birmingham, B3 1QU.

20. Post Balance Sheet Event

Details of the post balance sheet event are included in the Directors' report.