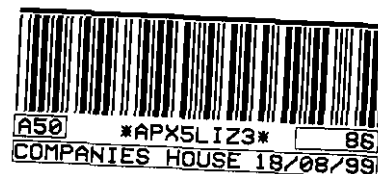


Eurolines (UK) Limited
Directors Report and Accounts
For the year ended 31 December 1998

Company number: 1991069



Directors Report

Directors

P M White (Chairman)
D T S Rendall
C C Child
A H M Kelsey
J Gilbert
J Engelsman (Netherlands)
I N Joseph
J C Myers
R Wiper
I Royle

The Directors present their Report and Accounts for the year ended 31 December 1998.

Principal activities

The Company administers and markets express coach services to Europe.

The results for the year were considered satisfactory and it is envisaged that this satisfactory situation will be maintained.

Results and dividends

The profit for the year attributable to the shareholders amounts to £1,180,000 (1997 - £712,000). A dividend of £nil (1997 - £1,750,000) was paid in the year and a profit of £1,180,000 (1997 - deficit of £1,038,000) has been taken to reserves.

Directors

The Directors of the Company who served during the year and up to the date of signing the accounts were those listed above.

Mr R Wiper	- appointed on 1 January 1998 and resigned 31 March 1999.
Mr J Engelsman	- appointed on 1 January 1998.
Mr I Royle	- appointed on 31 March 1999.
Mr A H M Kelsey	- resigned on 26 February 1998.
Mrs I N Joseph	- resigned on 13 May 1998.
Mr C C Child	- resigned on 31 July 1999.

Directors' Interests

Messrs. Child, Myers and White were also Directors of National Express Group PLC, the ultimate Holding Company, and their interests are disclosed in the Annual Report of that Company. The interests of the other Directors in the shares of National Express Group PLC are as follows:

Directors Report

Directors' interests (cont.)

	No of ordinary shares		Number of share options						
	As at 31/12/97	As at 31/12/98	As at 31/12/97	During Year			As at 31/12/98	Date Granted	Exercise Price
				Granted	Exercised	Lapsed			
D Rendall	3,127	5,491	29,972	-	29,972	-	-	9/12/92	A 165p
			4,509	-	4,509	-	-	12/5/93	C 153p
			20,000	-	20,000	-	-	15/9/95	A 412.5p
			10,000	-	10,000	-	-	23/10/95	B 75p
J Gilbert	-	-	5,000	-	-	-	5,000	15/9/95	A 412.5p
			500	-	-	-	500	25/3/96	A 513p
			3,453	-	-	-	3,453	24/3/97	A 525p
			4,047	-	-	-	4,047	24/3/97	B 525p
R Wiper	-	-	20,000	-	20,000	-	-	30/10/95	B 75p
			25,000	-	25,000	-	-	15/9/95	A 412.5p
			25,000	-	-	-	25,000	25/3/96	A 513p

- A Options granted under NEG Executive Share Option Scheme
 B Options granted under NEG Unapproved Share Option Scheme
 C Options granted under NEG Sharesave Scheme

Details of each of the above share option schemes are given in the Annual Report of National Express Group PLC for the year ended 31 December 1998.

Payment policy

It is not the Company's policy to follow a code of standard payment practice. Payments are made in accordance with terms agreed in advance with each individual supplier.

Trade creditor days of the Company for the year ended 31 December 1998 were 4 days, based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

Directors Report

Statement of 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 profit or loss of the Company for that period. In preparing those 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 Company will continue in business.

The Directors confirm that these 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 Company and to enable them to ensure that the accounts comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000 Compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their Year 2000 issues.

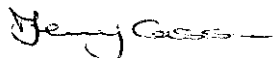
The Company is well advanced in the phase of addressing the risks to the business resulting from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks. The cost of implementing the action plans will not be material and will be subsumed into the recurring costs of the Company as they arise.

Directors Report

Auditors

In accordance with Section 386 of the Companies Act, 1985 a resolution has been passed to dispense with the obligation to appoint auditors annually. Accordingly, Ernst & Young shall be deemed to be re-appointed as auditors 28 days after the accounts are sent to the members.

By order of the board



J Casson
Secretary

Registered Office:

Ensign Court
4 Vicarage Road
Edgbaston
Birmingham, B15 3ES

Date approved by the Directors: 9 July 1999

Report of the Auditors to the Members of Eurolines (UK) Limited

We have audited the accounts on pages 7 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies, set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 4 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
Birmingham

6 August 1999

Eurolines (UK) Limited

Profit and Loss Account

For the year ended 31 December 1998

	Note	1998 £'000	1997 £'000
Turnover - continuing operations	2	17,159	17,031
Operating costs	3	<u>(15,639)</u>	<u>(16,175)</u>
Operating profit - continuing operations		1,520	856
Net interest receivable	6	<u>200</u>	<u>243</u>
Profit on ordinary activities before taxation		1,720	1,099
Taxation	7	<u>(540)</u>	<u>(387)</u>
Profit on ordinary activities after taxation		1,180	712
Dividend paid		-	(1,750)
Retained profit/(loss) for the financial year	13	<u>1,180</u>	<u>(1,038)</u>

Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the profit attributable to the shareholders of the Company of £1,180,000 in the year ended 31 December 1998 and of £712,000 in the year ended 31 December 1997.

Historical Cost Profits and Losses

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Eurolines (UK) Limited

Balance Sheet

As at 31 December 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	8	<u>139</u>	<u>234</u>
Current assets			
Debtors	9	1,418	520
Cash at bank and in hand		<u>1,542</u>	<u>4,917</u>
		2,960	5,437
Creditors: amounts falling due within one year	10	<u>(1,694)</u>	<u>(5,446)</u>
Net current assets/(liabilities)		<u>1,266</u>	<u>(9)</u>
Net assets		<u>1,405</u>	<u>225</u>
Capital and reserves			
Called up share capital	12	100	100
Capital reserve	13	(223)	(223)
Profit and loss account	13	1,528	348
Equity shareholders' funds	14	<u>1,405</u>	<u>225</u>



J Gilbert
Director

Date approved by the Directors: 9 July 1999

Eurolines (UK) Limited

Notes to the Accounts

For the year ended 31 December 1998

1. Accounting policies

(a) Basis of accounting

The accounts are prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

(b) Tangible fixed assets

Tangible fixed assets are stated at original cost together with any incidental costs of acquisition.

Tangible assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Plant and equipment	3 - 7 years
Motor vehicles	3 years

(c) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. *Deferred tax is accounted for in respect of all material timing differences using the liability method, to the extent that it is probable that the liability will crystallise.*

(d) Lease and hire purchase contracts

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.

(e) 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 lives of the current employees.

Notes to the Accounts (continued)

(f) Foreign currencies

Assets and liabilities in foreign currencies, which are of a trading nature, are expressed in sterling at the rates of exchange ruling at the balance sheet date. Any exchange differences arising are dealt with through the profit and loss account.

(g) Cash flow statement

As the Company is a wholly owned subsidiary undertaking of National Express Group PLC, a company registered in England and Wales, and which prepares a consolidated cash flow statement, the Company has taken advantage of the exemption provided under FRS 1 (Revised) not to prepare a cash flow statement.

2. Turnover

Turnover is revenue from the administration and marketing of express coach services to Europe. All revenue is stated net of value added tax where applicable.

3. Operating costs

		1998	1997
		£'000	£'000
External charges		14,249	14,917
Auditors remuneration	- audit services	12	12
Staff costs	- wages and salaries	1,018	914
	- social security costs	67	59
	- pension costs	18	29
Depreciation	- owned assets	117	88
Operating leases charges	- plant and equipment	35	31
	- land and buildings	123	125
		<u>15,639</u>	<u>16,175</u>

Notes to the Accounts (continued)

4. Employees

The average number of employees during the year was as follows:

	1998 No.	1997 No.
Managerial and administrative	10	9
Operational	67	57
	<u>77</u>	<u>66</u>

5. Directors' emoluments

	1998 £'000	1997 £'000
Aggregate emoluments	111	179
Compensation for loss of office	42	-
	<u>153</u>	<u>179</u>

Retirement benefits are accruing to three directors under defined benefit schemes operated on behalf of the Company. Two directors are members of the Group's defined contribution scheme.

Seven directors exercised share options during the year.

6. Net interest receivable

	1998 £'000	1997 £'000
<i>Interest receivable</i>		
Bank interest	200	250
<i>Interest payable</i>		
Bank interest	-	(7)
Net interest receivable	<u>200</u>	<u>243</u>

Notes to the Accounts (continued)

7. Taxation

	1998 £'000	1997 £'000
The taxation charge is made up as follows:		
<i>Current year</i>		
UK Corporation tax payable	540	350
<i>Prior year</i>		
Adjustments in respect of prior years	-	37
	<u>540</u>	<u>387</u>

8. Tangible fixed assets

Tangible fixed assets at 31 December 1998 as shown in the balance sheet are analysed as follows:

	Leasehold Improvements £'000	Plant & Equipment £'000	Total £'000
Cost:			
At 31 December 1997	25	374	399
Additions	-	59	59
Disposals	-	(42)	(42)
At 31 December 1998	<u>25</u>	<u>391</u>	<u>416</u>
Depreciation:			
At 31 December 1997	25	140	165
Disposals	-	(5)	(5)
Charge for the year	-	117	117
At 31 December 1998	<u>25</u>	<u>252</u>	<u>277</u>
Net book value:			
At 31 December 1998	<u>-</u>	<u>139</u>	<u>139</u>
At 31 December 1997	<u>-</u>	<u>234</u>	<u>234</u>

Notes to the Accounts (continued)

9. Debtors - amounts falling due within one year

	1998 £'000	1997 £'000
Trade debtors	116	52
Amounts due from group undertakings	1,126	426
Other debtors	88	24
Prepayments and accrued income	88	18
	<u>1,418</u>	<u>520</u>

10. Creditors - amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	150	721
Amounts due to group undertakings	132	1,854
Corporation tax	608	417
Other creditors and accruals	804	2,454
	<u>1,694</u>	<u>5,446</u>

11. Deferred taxation

There was no provided or unprovided deferred tax at 31 December 1998 and 1997.

12. Share capital

	Authorised		Issued, called up and fully paid	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Ordinary shares of £1 each	<u>500</u>	<u>500</u>	<u>100</u>	<u>100</u>

Notes to the Accounts (continued)

13. Reserves

	Capital Reserve £'000	Profit and loss account £'000
At 31 December 1997	(223)	348
Profit for the year	-	1,180
At 31 December 1998	(223)	1,528

14. Reconciliation of Movements in Shareholders' Funds

	1998 £'000	1997 £'000
Profit attributable to members of the Company	1,180	712
Dividends	-	(1,750)
Net movement in shareholders' funds	1,180	(1,038)
Shareholders' funds at 1 January	225	1,263
Shareholders' funds at 31 December	1,405	225

15. Pension commitments

The Company is a participating company in pension schemes operated by National Express Group PLC. Details of these schemes and the underlying actuarial assumptions thereto can be found in Note 30 to the accounts of National Express Group PLC for the year ended 31 December 1998.

The Company's combined contributions to the schemes for the year ended 31 December 1998 amounted to £18,000 (1997 - £29,000)

16. Contingent liabilities

The Company is a party to guarantees supported by charges in respect of facilities that have been granted by the Group's bankers.

Notes to the Accounts (continued)

17. Annual commitments under non-cancellable operating lease agreements

	Land & buildings		Plant & equipment	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Lease expiring:				
Within one year	-	-	3	-
Two to five years	83	2	16	31
Thereafter	41	43	-	-
	<u>124</u>	<u>45</u>	<u>19</u>	<u>31</u>

18. Related party transactions

The Company has taken advantage of the exemption in paragraph 3c of FRS8 from disclosing transactions with related parties that are part of the National Express Group or investees of the Group.

19. Ultimate Holding and Controlling Company

The Company is controlled by and is a wholly owned subsidiary undertaking of National Express Group PLC, a company registered in England and Wales.

The largest group in which the results of the Company are included is that headed by National Express Group PLC.

The consolidated accounts of National Express Group PLC are available to the public and may be obtained from:

The Secretary
National Express Group PLC
Worthy Park House
Abbots Worthy
Winchester
SO21 1AN