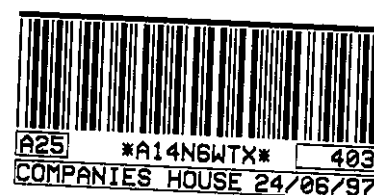


Eurolines (UK) Limited
Directors Report and Accounts
For the year ended 31 December 1996

Company number: 1991069



Directors Report

Directors

P R McEnhill	(Chairman)
E Patterson	(Chairman)
D T S Rendall	(Managing Director)
C C Child	
A H M Kelsey	
J Gilbert	
I N Joseph	
A F Mills	
J C Myers	
J H Dodd	
P M White	(Chairman)

The Directors present their Report and Accounts for the year ended 31 December 1996.

Principal activities

The Company administers and markets express coach services to Europe.

Results and dividends

The profit for the year attributable to the shareholders amounts to £663,000 (1995 - £1,514,000). Dividends of £800,000 (1995 - £700,000) were proposed and a deficit of £137,000 (1995 - profit of £814,000) 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 J H Dodd resigned on 2 January 1996. Mr A F Mills resigned on 25 June 1996. Mr P R McEnhill resigned on 31 August 1996. Mr A H M Kelsey was appointed on 25 June 1996. Mr E Patterson was appointed Chairman on 12 August 1996 and subsequently resigned on 13 January 1997. Mr P M White was appointed Chairman on 30 January 1997.

Directors Report

Directors' Interests

Messrs. McEnhill, Mills, Myers, Child, Kelsey, Patterson and White either were or are 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:

	Number of ordinary shares		Number of ordinary shares					
	At 31 December 1995	At 31 December 1996	At 31 December 1995	Granted	During Year Exercised	Lapsed	At 31 December 1996	
D T S Rendall	-	-	54,472	-	-	-	54,472	(i)
			20,000	-	-	-	20,000	(iii)
			10,000	-	-	-	10,000	(iv)
			4,509	-	-	-	4,509	(v)
J Gilbert	-	-	1,555	-	1,555*	-	-	(i)
			3,445	-	-	-	3,445	(ii)
			5,000	-	-	-	5,000	(iii)
			1,803	-	-	1,803**	-	(v)
			536	-	-	536**	-	(vi)
			821	-	-	821**	-	(vii)
			-	500	-	-	500	(viii)
I N Joseph	-	-	1,449	-	-	-	1,449	(i)
			3,551	-	-	-	3,551	(ii)
			5,000	-	-	-	5,000	(iii)
			6,764	-	-	-	6,764	(v)
			805	-	-	-	805	(vi)
			1,437	-	-	-	1,437	(vii)
			-	500	-	-	500	(viii)

Options granted under NEG Executive Share Option Scheme:

- (i) granted on 9 December 1992 at 165p
- (ii) granted on 28 March 1994 at 270p
- (iii) granted on 15 September 1995 at 412.5p
- (viii) granted on 25 March 1996 at 513p (unapproved)

Options granted under NEG Unapproved Share Option Scheme:

- (iv) granted on 5 October 1995 at 75p

Options granted under NEG Sharesave Scheme:

- (v) granted on 12 May 1993 at 153p
- (vi) granted on 12 May 1994 at 257p
- (vii) granted 26 October 1995 at 336p

* 1,000 exercised on 3 January 1996 and 555 exercised on 8 July 1996

** Sharesave account closed, without exercise on 20 November 1996

Details of each of the above share option schemes are given in Notes 7 and 27 of the Annual Report of National Express Group PLC for the year ended 31 December 1996.

Directors Report

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.

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.

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:

3 June 1997

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.

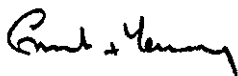
Basis of Opinion

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Birmingham

16 June 1997

Eurolines (UK) Limited

Profit and Loss Account

For the year ended 31 December 1996

	Note	1996 £'000	1995 £'000
Turnover - continuing operations	2	18,173	19,751
Operating costs	3	<u>(17,456)</u>	<u>(17,680)</u>
Operating profit - continuing operations		717	2,071
Interest receivable	6	<u>209</u>	<u>233</u>
Profit on ordinary activities before taxation		926	2,304
Taxation	7	<u>(263)</u>	<u>(790)</u>
Profit on ordinary activities after taxation		663	1,514
Dividends		(800)	(700)
Retained (deficit)/profit for the financial year	13	<u>(137)</u>	<u>814</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 £663,000 in the year ended 31 December 1996 and of £1,514,000 in the year ended 31 December 1995.

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

At 31 December 1996

	Note	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	8	<u>225</u>	<u>91</u>
Current assets			
Debtors	9	1,737	2,835
Cash at bank and in hand		<u>4,188</u>	<u>4,680</u>
		5,925	7,515
Creditors: amounts falling due within one year	10	<u>(4,887)</u>	<u>(5,983)</u>
Net current assets		<u>1,038</u>	<u>1,532</u>
Net assets		<u>1,263</u>	<u>1,623</u>
Capital and reserves			
Called up share capital	12	100	100
Capital reserve	13	(223)	-
Profit and loss account	13	1,386	1,523
Equity shareholders' funds	15	<u>1,263</u>	<u>1,623</u>



C C Child - Director

Date approved by the Directors:

3 June 1997

Eurolines (UK) Limited

Notes to the Accounts

For the year ended 31 December 1996

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; profits and losses are treated as part of the operating results of the year.

(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 FRS1 (Revised) not to prepare a cash flow statement.

(h) goodwill

Goodwill arising on the purchase of business undertakings is set off directly against reserves.

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

		1996 £'000	1995 £'000
External charges		16,270	16,566
Auditors remuneration	- audit services	12	10
Staff costs	- wages and salaries	853	858
	- social security costs	76	66
	- other pension costs	36	33
Depreciation	- owned assets	39	4
	- leased assets	7	9
Operating leases charges	- plant and equipment	33	30
	- land and buildings	130	104
		<u>17,456</u>	<u>17,680</u>

Notes to the Accounts (continued)

4. Employees

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

	1996 No.	1995 No.
Managerial and administrative	8	9
Operational	<u>66</u>	<u>63</u>
	<u>74</u>	<u>72</u>

5. Directors' emoluments

	1996 £'000	1995 £'000
Directors emoluments (including pension scheme contributions)	<u>254</u>	<u>234</u>
Emoluments of the highest paid director (excluding pension scheme contributions)	<u>126</u>	<u>111</u>

The Chairmen received no remuneration (1995 - £nil)

The emoluments of the Directors (excluding pension scheme contributions) falling within each bracket of £5,000 were as follows:

£	1996 No.	1995 No.
nil - 5,000	7	5
45,001- 50,000	1	1
50,001- 55,000	-	1
55,001- 60,000	1	-
110,001- 115,000	-	1
125,001- 130,000	1	-

6. Interest receivable and similar income

	1996 £'000	1995 £'000
Bank interest	<u>209</u>	<u>233</u>

Notes to the Accounts (continued)

7. Taxation

	1996 £'000	1995 £'000
The taxation charge is made up as follows:		
Current - corporation tax payable at 33% (1995 - 33%)	<u>263</u>	<u>790</u>

The Company's taxation charge has been reduced by the reversal of short term timing differences which arose in previous years.

8. Tangible fixed assets

Tangible fixed assets at 31 December 1996 as shown in the balance sheet are analysed as follows:

	Leasehold improvements £'000	Plant & equipment £'000	Total £'000
Cost:			
At 31 December 1995	25	127	152
Additions	<u>-</u>	<u>180</u>	<u>180</u>
At 31 December 1996	<u>25</u>	<u>307</u>	<u>332</u>
Depreciation:			
At 31 December 1995	25	36	61
Charge for the year	<u>-</u>	<u>46</u>	<u>46</u>
At 31 December 1996	<u>25</u>	<u>82</u>	<u>107</u>
Net book value:			
At 31 December 1996	<u>-</u>	<u>225</u>	<u>225</u>
At 31 December 1995	<u>-</u>	<u>91</u>	<u>91</u>

The net book value of leased assets which have been capitalised and included in the above is:

At 31 December 1996	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1995	<u>-</u>	<u>7</u>	<u>7</u>

Notes to the Accounts (continued)

9. Debtors - amounts falling due within one year

	1996 £'000	1995 £'000
Trade debtors	50	33
Amounts due from group undertakings	1,651	2,751
Other debtors	6	22
Prepayments and accrued income	30	29
	<u>1,737</u>	<u>2,835</u>

10. Creditors - amounts falling due within one year

	1996 £'000	1995 £'000
Trade creditors	911	730
Obligations under finance lease agreements	-	6
Amounts due to group undertakings	959	1,502
Corporation tax	271	794
Other creditors	397	75
Accruals and deferred income	2,349	2,876
	<u>4,887</u>	<u>5,983</u>

11. Deferred taxation

The balance of the provision is as follows:

	Provided		Not provided	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Accelerated capital allowances	6	-	-	(1)
Short term timing differences	(6)	-	-	(81)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82)</u>

12. Share capital

	Authorised		Issued, called up and fully paid	
	1996 £'000	1995 £'000	1996 £'000	1995 £'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 1995	-	1,523
Deficit for the year	-	(137)
Goodwill written off on acquisition of business	(223)	-
At 31 December 1996	(223)	1,386

14. Acquisition of business undertaking

During the year, the Company acquired the business of Slaterry's, a provider of coach services based in the Republic of Ireland, for a consideration of £223,000. No assets or liabilities were acquired as part of the deal. The Slaterry business was immediately subsumed into the operations of Eurolines (UK) Limited following its acquisition and it is therefore not practical or meaningful to identify the results of the Slaterry business in the period following its acquisition.

15. Reconciliation of Movements in Shareholders' Funds

	1996 £'000	1995 £'000
Profit attributable to members of the Company	663	1,514
Dividends	(800)	(700)
Goodwill written off on acquisition of business	(223)	-
Net movement in shareholders' funds	(360)	814
Shareholders' funds at 1 January	1,623	809
Shareholders' funds at 31 December	1,263	1,623

16. 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 31 to the accounts of National Express Group PLC for the year ended 31 December 1996.

The Company's combined contributions to the schemes for the year ended 31 December 1996 amounted to £36,000 (1995 - £33,000)

Notes to the Accounts (continued)

17. Capital commitments

At 31 December 1996 there were no capital commitments (1995 - £nil)

18. Contingent liabilities

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

19. Annual commitments under non-cancellable operating lease agreements

	Land and buildings		Plant & equipment	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Lease expiring:				
Within one year	2	-	5	4
Two to five years	-	3	26	16
Thereafter	44	44	-	1
	<u>46</u>	<u>47</u>	<u>31</u>	<u>21</u>

20. 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.

21. 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