

2005917



COMPANY PROFILE

DIRECTORS AND ADVISERS

NOTICE OF MEETING



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NOTES TO THE ACCOUNTS



The Southern Vectis Omnibus Company Limited

The Southern Vectis Omnibus Company Limited currently operates some 115 vehicles, including double deck buses, coaches, midi and minibuses. Open-top and vintage vehicles are used in the summer months, to support the tourist industry on the Island.

Southern Vectis' bus fleet has been progressively modernised in recent years, and semi-coach seating and soft trim are now standard on all new vehicles. As a result, the Company's fleet is now one of the most comfortable and welcoming in the Country.

The Isle of Wight enjoys one of the best bus services of any rural area; it is unique in that it is the only county in which every parish is serviced.

The Southern Vectis Omnibus Company Limited is also one of the Island's leading coach operators, operating both within the Island and throughout the British Isles and into Europe.



Southern Vectis Commercials

Southern Vectis Commercials provides a heavy vehicle maintenance and spares service on the Isle of Wight. This business uses the range of facilities at Southern Vectis' main depot at Newport and is built upon the high quality maintenance facilities used for the Southern Vectis bus and coach fleet.

Southern Vectis Commercials offers full vehicle repair and maintenance facilities including contract fleet maintenance, DTP authorised tachograph agent and designated HGV test centre

It can also offer a new vehicle/maintenance package with both Iveco/Ford and Volvo - for whom it is the Isle of Wight agent.

Southern Vectis currently handles over 40% of the heavy commercial vehicle maintenance business on the Isle of Wight,



Public Transport Information

A major expansion in the area of accessible and comprehensive travel information was the Great Britain Bus Timetable (GBBTT), launched in January 1995. The 928 page book aims to provide details of every rural and inter-urban bus route that operates at least six days a week in Great Britain. Currently, some 400 operators providing over 3200 services to 9000 towns and villages, across Britain, are detailed.

This database, created as a result of GBBTT, has allowed a number of developments.

Southern Vectis has piloted derivatives: Getting Around Wales, Getting Around The Highlands and Islands and Getting Around Rural Yorkshire. These 96-page books give guidance not only for buses but also for coaches, trains, ferries and air services in the area.

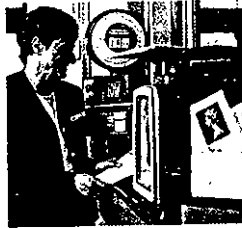


The Train Bus and Coach telephone enquiry service (TBC Hotline) is a user-pays service giving train information, using the rail computer-assisted system; National Express coach information, using NE's windows programme; and bus information using GBBTT. Credit card ticket sales are offered for rail and coach tickets.

Leisure and Retail

The Vikki Osborne package holiday business has the objective of stimulating public transport based holidays onto the Isle of Wight throughout the year.

Vikki Osborne retails through travel agents and by direct booking and holds ABTA registration; it currently offers holidays to 32 hotels and 9 self-catering establishments. The Vikki Osborne operation is open 100 hours a week, 365 days a year.



The Retail section has been developed from the Southern Vectis Travel Offices. Freshwater has been added to the original six offices in Newport, Ryde, Cowes, Sandown, Shanklin and Ventnor. Apart from Southern Vectis products, the Travel Offices also handle a range of commissionable products such as rail, coach and ferry tickets, airport taxis and hotels, leisure breaks and Western Union Money transfer.

A major expansion in the retail section saw the incorporation of the Crown Post Office in Cowes, followed by similar arrangements in Sandown, Shanklin and Freshwater.

Coaching and telesales also fall within the range of leisure and retail activities.

Solent Blue Line

Solent Blue Line operates around 20% of the bus network within Southampton predominantly in outer suburban and inter-urban routes.

They currently operate 96 vehicles, of which 59 are double deck, 4 single deck and 33 midibuses.



Solent Blue Line plays a major role in the wider regional bus network with, for example, participation in the regional system ticket Explorer Ticket for unlimited travel and working closely with Hampshire County Council to enhance the network of services in Southern Hampshire.

Solent Blue Line is also developing its commercial engineering business for both buses and commercial vehicles.

Vikoma

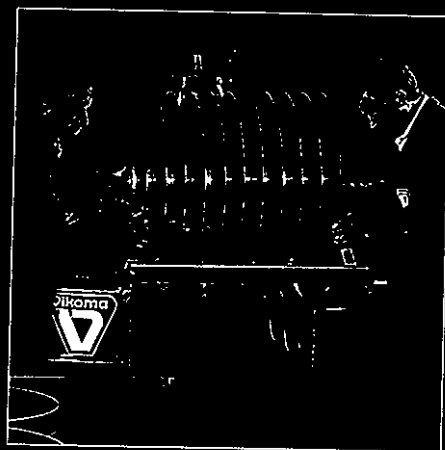
Vikoma International operates in the environmental technology sector, primarily as a manufacturer of equipment used to clean up oil spills in both marine and industrial applications. The company produces a broad range of proprietary products from containment booms which prevent the spread of oil slicks, to highly specialised skimming devices that quickly remove oil from water.

A new service division was formed in 1997 to concentrate on after-market activities such as training, equipment servicing, rental and spares. By forming strategic alliances with other service providers, this new business unit has developed the capability to handle large multi-discipline projects and offers a "one stop shop" to customers in the oil pollution control sector.

Vikoma International is based on the Isle of Wight but exports products to every corner of the world using a network of overseas agents that has been carefully developed over many years. The company employs around a hundred people and is quality accredited to ISO 9001/9002 standard.



DIRECTORS



■ Non-executive Chairman



G V R BATCHELOR
led the management buy-out from National Bus Company in 1986.

■ Non-executive Director



J BARR OBE
joined the Board in January 1994 in association with a long and successful career in the marine industry.

■ Non-executive Director



G O TOURLMAIN
Chairman of Vikoma, joined Board in January 1997. Founded Aggreko a world-wide supplier of diesel powered generators. Formerly a Director of Christian Salvesen.

■ Non-executive Director



M WILLIAMS
joined the Board in July 1995. He holds a senior position with Sea Containers.

Group Managing Director



S G LINN
was appointed Group Managing Director in October 1993; joined Southern Vectis in 1985 and was part of the management buy-out team in 1986.

Group Finance Director



I W PALMER
was appointed August 1987; joined the group in 1986.

Executive Director



A BROWN
joined the Board 1 May 1996; Managing Director of Vikoma International Limited.

TRADING RESULTS

Southern Vectis Group profits before tax for the year ended 30 April 1997 increased from £1,605,000 to £1,770,000 on turnover of £23,533,000 compared to £24,890,000 for 1996. Earnings per share improved to 6.1p from 4.8p in 1996. Both bus and environmental parts of the Group reported improvements in profits over the previous year.

Your Directors propose to increase the dividend from 1.90p to 2.10p per share.

BUS BUSINESS

£865,000 pre-tax profits were earned in the bus business which compared with £754,000 for 1996, and turnover rose from £14,563,000 to £15,531,000. The rise in profit resulted from the increase in revenue and further improvements in cost control.

Good seasonal weather and an increase in the number of language educational trips to the Island by Continental student organisations led to an increase in turnover. Additionally more local children and college students were carried both on the Island and in Southampton and Southern Hampshire. Costs were carefully controlled and this process has continued in the new financial year by conversions to one person operation buses and rationalisation in Southampton.

It was disappointing that we did not win the franchise to operate the Isle of Wight Railway but I am pleased to report that considerable benefits are being enjoyed by the bus business through our close co-operation with the new owners of the Isle of Wight Railway, Stagecoach Holdings plc. It is hoped that this good working relationship will be further enhanced following the new Government's planned introduction of an integrated transport policy.

Building on our successful involvement with Kalisz City Bus in Poland, approaches are now underway to other European bus companies in an attempt to extend our sphere of operations profitably.

Southern Vectis Commercial Ltd has gone from strength to strength. Island Group 90 has transferred its business to us bringing some additional Isle of Wight Council vehicle maintenance contracts. Further growth is anticipated now that we have achieved HGV testing station status and established a tachograph centre at Newport, enabling us to test motor vehicles on site.

Our Retail and Leisure businesses which comprise coaching, travel shops, package holidays and telesales, have evolved from the bus business over a number of years. A strategic review is currently taking place to determine how best we can develop this potentially exciting sector.

Coaching has been streamlined during the year. The less profitable operations have been franchised to local coach operators and the profitable Mainland and Continental touring activities are being extended.

Our busy travel shops carry a full range of travel products whilst four of the outlets also incorporate local post offices.

The Vikki Osborne package holidays business continues to grow. Customers may travel to the Isle of Wight by coach, rail or car, cross the Solent by any one of six different routes and choose from more than 40 Island hotels or self-catering establishments. All packages include unlimited travel on Southern Vectis buses.

The Great Britain Bus Timetable and the Train, Bus and Coach Hotline have grown in importance as industry analysts have realised these are the only providers of national timetable information in the UK. The TBC Hotline is based on accurate country-wide timetables and telesales techniques. The possibility is now being considered of extending telesales to other businesses.

ENVIRONMENTAL PROTECTION BUSINESS

Vikoma International Limited increased pre-tax profits to £905,000 compared with £851,000 in the previous year, on turnover down from £10,327,000 to £8,002,000. This improvement was achieved despite difficult trading conditions in key markets such as the former Soviet Union and the disruption caused by a serious fire at the Cowes factory in January. In these circumstances the profits are quite remarkable and are due to a thorough reorganisation of business methods, a reappraisal of international sales agencies and more concentrated global marketing efforts.

During the year a sales office was established in the USA, a strategic alliance was formed with a leading oil spill response organisation and a new service division was launched to handle downstream activities such as product commissioning, spare parts sales, training, service and maintenance. The company also developed two new products, the Komara Star and Komara 20 Skimming Systems, both of which were successfully launched at the World Oil Spill show in Florida.

A further testimony to progress is that following an external audit by Lloyd's Register, Vikoma was officially re-accredited to quality standard ISO 9002 and gained 9001 which is the quality standard applicable to design engineering.

Considerable damage was caused by the fire, which totally destroyed boom production facilities. However, rapid steps were taken, firstly to reorganise production facilities and secondly to obtain adequate compensation from our insurers. The total claim, which amounted to just over £1 million, has been settled in full.

Partly because of the fire, but mainly due to the successful growth of the business, larger premises are now needed and



Notice is hereby given that the Annual General Meeting of Southern Vectis plc will be held on Tuesday, 23 September 1997, at 12 noon at the Southern Vectis Social & Sports Club, 35 South Street, Newport, Isle of Wight, for the purpose of considering and, if thought fit, passing the following Resolutions as Ordinary Resolutions.

Ordinary Business

RESOLUTION NO 1

To receive and adopt the Accounts for the year ended 30 April 1997, together with the Report of the Directors and Auditors thereon.

RESOLUTION NO 2

To confirm and declare a Dividend on Ordinary shares of 2.10p per share to be paid on 23 September 1997.

RESOLUTION NO 3

To elect as Director G O Tourlmain, and to re-elect as Director J Barr who retires by rotation.

RESOLUTION NO 4

To re-appoint KPMG Audit Plc as auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

RESOLUTION NO 5

That the Directors are empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities wholly for cash (otherwise than in compliance with Section 89 (1) of the Companies Act 1985) provided that equity securities so allotted shall not exceed the aggregate nominal value of £250,000 and that this power shall expire at the conclusion of the next following Annual General Meeting of the Company save that the Company may make any offer or agreement before the expiry of this power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.

By order of the Board

K Boyes Secretary

21 July 1997



Notes

- 1 A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him. A proxy need not also be a member of the Company. The form of proxy for use at the meeting must be lodged with the Company not less than 48 hours before the time appointed for the meeting.
- 2 The following will be available during normal business hours at the Company's registered office from this date, and at the Southern Vectis Social & Sports Club, 35 South Street, Newport, Isle of Wight for fifteen minutes prior to and until the conclusion of the Annual General Meeting.
 - (a) The Register of Directors' interests in the capital of the Company.
 - (b) Copies of all contracts of service under which Directors of the Company are employed.
- 3 Subject to and conditional upon the passing of Resolution No 2, warrants will be posted immediately after the Annual General Meeting, to shareholders on the register at close of business on 8 August 1997.



SECRETARY

K Boyes

REGISTERED OFFICE

Nelson Road,
Newport, Isle of Wight

AUDITORS

KPMG Audit Plc,
Chartered Accountants

BANKERS

National Westminster Bank plc

SOLICITORS

Roach Pittis

STOCKBROKERS

Neilson Cobbold plc

NOMINATED ADVISERS

Smith & Williamson

REGISTRARS

Independent Registrars Group plc

The Directors present their Report and the audited Accounts for the year ended 30 April 1997.

PRINCIPAL ACTIVITIES

Group subsidiaries The Southern Vectis Omnibus Company Limited, and Musterphantom Limited (trading as Solent Blue Line) are primarily concerned with the provision of public service operations on the Isle of Wight and within Southampton and Southern Hampshire. Vikoma International Limited is engaged in the design and manufacture of oil containment and recovery devices for oil spill response worldwide, and industrial waste water treatment. Vikki Osborne (IW) Holidays Limited provides a service of package holidays to the Isle of Wight. Southern Vectis Coaches Limited is engaged in day tours and coaching holidays within the United Kingdom and Europe. Southern Vectis Commercial Limited provides commercial engineering for all types of heavy goods vehicles, with service dealerships for major United Kingdom manufacturers, and has MOT and Tachograph status.

A full account of the year's performance and future prospects is set out in the Chairman's Statement, such statement being adopted by the Directors as part of their Report.

The results of the Group for the year are set out on Page 13 of the Accounts.

DIRECTORS AND THEIR INTERESTS

The interests of the Directors (all of which are beneficially held) in the share capital of the Company are as set out below:

ORDINARY SHARES OF 10P EACH	1997	1996
G V R Batchelor	4,696,515	4,746,515
S G Linn	2,248,875	2,248,875
I W Palmer	1,041,552	1,041,552
A Brown	187,273	227,273
M Williams	17,857	15,000

Mr GO Tourlmain was appointed to the Board on 13 January 1997.

Mr FR Dabell also served as a Director during the year. He resigned on 1 October 1996.

On 1 May 1997, Mr A Brown was granted, under a long term incentive scheme, options over 132,353 ordinary shares of the company. These options can be exercised until 30 April 2001 at an exercise price of 68 pence per share. Mr Brown will be entitled to further options up to a maximum of 397,059 shares depending on the operating results of the Group in the three years to 30 April 2000. There are no other share options.



the search is being undertaken for a new site. A modern facility, designed to our own specification will be a great boon to manufacturing and selling operations.

The Group now holds 100% of the equity of Vikoma, compared to 65% last year, following our purchase of the remaining outstanding shares.

FINANCIAL PERFORMANCE

The Group has made a good start to the new financial year. This is due mainly to profits earned by Vikoma on exceptionally large orders shipped during the first quarter.

STRATEGY

In order to progress the Group's expansion plans in an effective manner the Group's senior executive team has been strengthened by the decision to appoint Albert Brown as Group Business Development Director. Albert has successfully reorganised and refocused Vikoma over the past two years. The environmental protection business is now based on a sound commercial footing and is ready for further expansion. A new managing director for Vikoma is currently being recruited.

CAPITAL EXPENDITURE

£154,000 was spent during the year on four midi-buses for operation on the Isle of Wight, and £20,000 for a new bus wash at Solent Blue Line in Southampton. In the new year orders have been placed for eight double-deck buses and two coaches for the Isle of Wight, and four double-deck vehicles for Southampton, at a capital cost of £1,691,000.

FINANCE

The continuing good trading profits and wise utilisation of resources are reflected in a healthy balance sheet. Net assets rose from £5,217,000 to £5,542,000 during the year. The gearing ratio net of cash of 63% indicates that the Group is well funded and ideally placed to embark on its planned growth programme.

It is now nearly two years since Southern Vectis shares were first traded on the Alternative Investment Market. Equities have been dealt with on a wide basis and added marketability is proving to be advantageous to shareholders. Confirmation was received in February of this year from the Inland Revenue that Southern Vectis shares were eligible for capital gains tax reinvestment relief. This is highly beneficial to those shareholders who wish to "roll-over" gains from other investments into Southern Vectis shares.

For our share-dealing transactions, shareholders will be interested to learn that we have decided to join CREST. This is a new computerised system for settling sales and purchases of shares on the London Stock Exchange. It has been designed by the Bank of England to allow share transactions to be settled electronically instead of in paper form. It will make settlement quicker and more secure and bring us into line with the best international standards. The benefit to our shareholders is that, if they wish, they will be able to hold or transfer their shares in electronic form instead of paper.

The Chancellor's recent Budget will have an effect on Group pension schemes. We are now consulting with our pensions advisers to ascertain what action, if any, should be taken.

As mentioned in the Half Year Report, Gordon Tourlmain has joined the Board and has contributed in the expert manner to be expected from one of his vast experience. He, together with Jack Barr, seek re-election as Directors at the Annual General Meeting.

It is with mixed feelings that I have to tell you that I have decided to hang up my boots and retire from the Board. I have enjoyed my time at Southern Vectis immensely and will miss the people and the daily thrust of business life. But as I approach my 62nd birthday, being the oldest member of the Board, I feel that the time has come for me to pass on the baton to a new Chairman. My heartfelt thanks are given to all those who have helped, especially the directors and senior staff who have worked so hard over a very long period. My success would not have been possible without their considerable efforts. My best wishes go to all in the Group.

I am delighted to say that the chairmanship will rest in the capable hands of Jack Barr, who has served so enthusiastically on the Board since 1994. Jack brought with him an enormous commercial experience which included Sales Director of Vickers Shipbuilding and Engineering, Deputy Chairman and Group Managing Director of FBM Marine, President of British Marine Industries Federation and a founding director and past chairman of Wight Training and Enterprise Council.

To that must be added three years' valuable service to the Southern Vectis Board where his wide experience and wise business head have been major factors in the successful performance of the Group. I am confident that the baton could not be in safer hands.

I must introduce a further touch of sadness here as I inform you that his busy commitments as Deputy Head of the Containers Division of Sea Containers mean that Mel Williams has also decided that the time has come for him to resign as a Director. With his world-wide tourism and marketing experience he has contributed greatly during his time on the Board and he will be much missed.

He is being replaced by Tony Holmes, the senior partner of Roach Pittis, the Company's solicitors. Tony is also a director of the Isle of Wight County Press Group Ltd, Vice-Chairman of the Isle of Wight County Club Ltd and Company Secretary to a number of companies. His legal advice has been crucial in the past and in these days of ever-increasing business laws I am pleased to welcome him as a most valuable newcomer to the Board.

I am also delighted to say that Kate Boyes is joining the Board as a Director. She became Company Secretary on 7 October 1986, the day the new Company was formed, and has served the Group proficiently and unstintingly throughout. Kate is also Chairman of a local housing society. She will be a great asset to the Board.

STAFF

My most grateful thanks go to the members of staff who have contributed so much this year, and indeed at all times during my period with the Group.



G V R Batchelor Chairman

21 July 1997

SIGNIFICANT HOLDING

The following members, other than Directors, had a holding of 3% or more of the issued share capital as at 30 April 1997.

Glyn Mills Nominees (Lombard Street) Limited	1,449,925
A R Peeling	1,019,833
J B Peeling	984,280

CORPORATE GOVERNANCE

The Board comprises three executive and four non-executive Directors. There are twelve regular Board meetings each year and other meetings are held as required to direct overall Group strategy and operations. The Board approves annual budgets and capital expenditure programmes and reviews progress towards their attainment. The Board has reserved to itself certain matters but otherwise has delegated responsibilities to standing committees which it has established as described below.

The Audit Committee comprises the four non-executive Directors and is chaired by the Group Chairman. It meets at least twice a year and reviews the interim and final results and the Annual Report prior to their submission to the Board. The Committee also reviews the Auditors' management letter and considers any other matters raised by the Auditors.

The Remuneration Committee comprises the four non-executive Directors under the chairmanship of the Group Chairman. It determines the terms and conditions of employment of the executive Directors.

The Board continues to adopt the going concern basis in preparing the Accounts as, after making appropriate enquiries, it considers that the Group has adequate resources to continue in operational existence for the foreseeable future.

GENERAL INFORMATION

The Company is a close company within the meaning of Income & Corporation Taxes Act 1988.

The Company and its subsidiaries have taken note of their obligations under the Health & Safety at Work Act 1974, policy statements have been issued and selected personnel are required to attend courses to aid in its implementation. A Safety Committee has been established to ensure employees are fully aware of their responsibilities.

All employees receive equal opportunities for career advancement, including training and other forms of education as appropriate. A person's qualifications and suitability for a position within the Group are the only criteria for employment, selection and promotion. It is Group policy to give fair consideration to the employment needs of disabled people and to comply with any current legislation with regard to disabled persons.

The Directors recognise the importance of good communications and relations with employees. The management of each subsidiary is responsible for the development of employee participation practices appropriate to its own requirements.

The Company maintained Directors' and Officers' insurance cover during the year.

It is the Group's policy to abide by the terms agreed with suppliers wherever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions. Southern Vectis plc has no suppliers as it only acts as a holding company.

In order to benefit investors the Company will join the CREST share settlement system; it is anticipated this will take place in October 1997. Share registration has been transferred to Independent Registrars Group plc with effect from 4 August 1997.

DONATIONS

The Group has made charitable donations during the year of £3,095 (1996: £2,094). No political donations were made.

By order of the Board

K Boyes Secretary

21 July 1997




SOUTHERN VECTIS

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 the Group and of the profit or loss for that period. In preparing those Accounts, the Directors are required to:

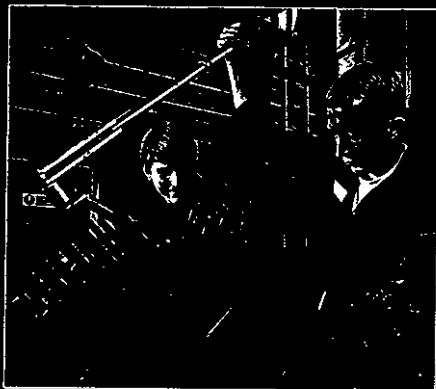
select suitable accounting policies and then apply them consistently;

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;

prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities.



We have audited the Accounts on pages 13 to 36.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described on page 10 the Company's Directors are responsible for the preparation of 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 Group'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 and the Group as at 30 April 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

21 July 1997



ACCOUNTS 199

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 30 April 1997

	Note	1997 £000	1996 £000
TURNOVER	2	23,533	24,890
Other operating income	4	410	219
		<hr/>	<hr/>
Operating costs	4	(22,200)	(23,559)
		<hr/>	<hr/>
OPERATING PROFIT	4	1,743	1,550
Profit on disposal of fixed assets	4	372	131
Interest receivable	7	148	305
Interest payable and similar charges	8	(493)	(381)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,770	1,605
Tax on profit on ordinary activities	9	(566)	(502)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,204	1,103
Minority interests	24	(33)	(187)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	10	1,171	916
Dividends	11	(415)	(363)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL YEAR		756	553
		<hr/>	<hr/>
EARNINGS PER SHARE	12	6.1p	4.8p
		<hr/>	<hr/>

A statement of movements on reserves is shown in note 22 to the Accounts.

The notes on pages 18 to 36 form part of these Accounts.

All amounts relate to continuing activities.

In both 1996 and 1997, the Group had no recognised gains and losses other than those passing through the profit and loss account.

CONSOLIDATED BALANCE SHEET
at 30 April 1997

	Note	1997 £000	1997 £000	1996 £000	1996 £000
FIXED ASSETS					
Intangible assets	13		295		339
Tangible assets	14		9,882		10,215
			10,177		10,554
CURRENT ASSETS					
Stocks	16	747		1,085	
Debtors	17	4,150		3,471	
Cash at bank and in hand		3,557		3,575	
		8,454		8,131	
CREDITORS:					
amounts falling due within one year	18	(8,967)		(8,050)	
NET CURRENT (LIABILITIES)/ASSETS			(513)		81
TOTAL ASSETS LESS CURRENT (LIABILITIES)/ASSETS			9,664		10,635
CREDITORS: amounts falling due after more than one year	19	(3,356)		(4,079)	
PROVISIONS FOR LIABILITIES AND CHARGES	20	(766)		(1,339)	
NET ASSETS			5,542		5,217
CAPITAL AND RESERVES					
Called up share capital	21		1,975		1,913
Merger relief reserve	22		375		
Revaluation reserve	22		251		251
Capital reserve	22		321		321
Profit and loss account	22		2,719		2,707
EQUITY SHAREHOLDERS' FUNDS			5,641		5,192
Minority interests - equity	24		(99)		25
			5,542		5,217

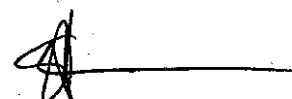
The movement on reserves is shown in note 22 to the Accounts.

These Accounts were approved by the Board of Directors on 21 July 1997 and were signed on its behalf by:

GVR Batchelor
DIRECTOR



SG Lim
DIRECTOR



The notes on pages 18 to 36 form part of these Accounts.

BALANCE SHEET
at 30 April 1997

	Note	1997 £000	1997 £000	1996 £000	1996 £000
FIXED ASSETS					
Tangible assets	14		3,401		3,341
Investments	15		5,216		4,285
			8,617		7,626
CURRENT ASSETS					
Debtors	17	2,804		2,115	
CREDITORS:					
Amounts falling due within one year	18	(7,572)		(6,410)	
NET CURRENT (LIABILITIES)/ASSETS					
Due within one year		(5,664)		(5,191)	
Debtors due after one year	17	896		896	
TOTAL NET CURRENT LIABILITIES			(4,768)		(4,295)
TOTAL ASSETS LESS CURRENT LIABILITIES			3,849		3,331
PROVISIONS FOR LIABILITIES AND CHARGES	20				(13)
NET ASSETS			3,849		3,318
CAPITAL AND RESERVES					
Called up share capital	21		1,975		1,913
Merger relief reserve	22		375		
Revaluation reserve	22		833		833
Profit and loss account	22		666		572
EQUITY SHAREHOLDERS' FUNDS			3,849		3,318

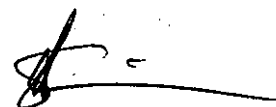
The movement on reserves is shown in note 22 to the Accounts.

These Accounts were approved by the Board of Directors on 21 July 1997 and were signed on its behalf by:

GVR Batchelor
DIRECTOR



SG Linn
DIRECTOR



The notes on pages 18 to 36 form part of these Accounts.

CONSOLIDATED CASH FLOW STATEMENT
for year to 30 April 1997

	Note	1997 £000	1996 £000
Cash flow from operating activities	25	2,215	4,786
Returns on investments and servicing of finance	28	(379)	(29)
Taxation		(824)	(260)
Capital expenditure and financial investment	28	(405)	(228)
Acquisitions and disposals	28	(713)	13
Equity dividends paid		(363)	(306)
Cash (outflow)/inflow before financing		(469)	3,976
Financing - decrease in debt	28	(699)	(722)
(Decrease)/increase in cash in the period		(1,168)	3,254

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES
for the year ended 30 April 1997

	1997 £000	1996 £000
Reported profit on ordinary activities before taxation	1,770	1,605
Difference between a historical depreciation charge and actual depreciation charge for the year calculated on the revalued amount	(13)	(13)
Historical cost profit on ordinary activities before taxation	1,757	1,592
Historical cost profit for the year retained after taxation, minority interests and dividends	743	540

1 PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's Accounts.

(a) Basis of accounting

The Accounts have been prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings, and an investment. They have been prepared in accordance with applicable accounting standards.

(b) Changes in accounting presentation

Changes in the presentation of the Group Cash Flow Statement have been made due to the adoption of the revised Financial Reporting Standard No.1 "Cash Flow Statements". Comparative figures have been restated with the revised presentation.

(c) Consolidation

The consolidated Accounts incorporate the audited Accounts of Southern Vectis plc and all of its subsidiary undertakings.

The trading results of subsidiary undertakings acquired or sold in the year are included in the consolidated profit and loss account from or until the effective date of acquisition or disposal respectively. Adjustments are made to bring the accounting policies of businesses acquired into line with those of the Group.

(d) Goodwill

Goodwill arising where the fair value of purchase consideration exceeds the fair values attributable to the relevant net assets of subsidiary undertakings is written off directly to reserves. Where the investment in these undertakings or part of these undertakings is subsequently sold, the original goodwill is shown as part of the profit or loss arising on disposal.

(e) Leases

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership of an asset have passed to the Group, are capitalised in the balance sheet and are depreciated over their estimated useful lives or the term of the lease, whichever is shorter. 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. The capital element of rental obligations is included in liabilities.

All other leases are treated as operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

(f) Depreciation and amortisation

Depreciation is provided by the Group so as to write off the cost or valuation less the estimated residual value of tangible and intangible fixed assets over their estimated useful economic lives on a straight line basis, as follows:

Freehold land	Nil
Freehold buildings	10 - 40 years
Leasehold buildings	Length of lease or if shorter, 40 years (10 years for Vikoma International Limited)
Public service vehicles	6 - 16 years
Plant and equipment	3 - 10 years
Patents and licences	10 years

(g) Intangible fixed assets

Intangible fixed assets are stated at purchase cost including associated legal costs, less amounts amortised.

(h) Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables the first in first out method is used. For work in progress, cost is taken as production cost including an appropriate proportion of attributable overheads.

(i) Deferred taxation

Deferred taxation is provided using the liability method in respect of the tax effect of all material timing differences between the treatment of certain items for tax and accounting purposes only to the extent that it is probable that liabilities will crystallise in the foreseeable future. Provision has not been made for any potential tax liability in respect of chargeable gains which would arise in the event of revalued properties being realised at balance sheet values.

(j) Pension scheme

Employees of the transport companies participate in the Southern Vectis Group defined benefit pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. 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.

Employees of the Vikoma group of companies participate in a money purchase scheme; the assets of this scheme are held separately from those of the Group in an independently administered fund.

(k) Exchange differences

Currency transactions during the year are converted at actual rates of exchange. Currency balances at the year end have been converted to Sterling at the rates ruling at the balance sheet date.

2 TURNOVER

Turnover comprises gross revenue for road passenger transport and other services and net commissions earned on holidays sold, as well as revenue from the sale and despatch of environmental products, all net of VAT.

3 SEGMENTAL INFORMATION

	1997 Turnover	1997 Profit before interest and tax	1997 Net assets	1996 Turnover	1996 Profit before interest and tax	1996 Net assets
	£000	£000	£000	£000	£000	£000
Transport	15,531	1,030	8,051	14,563	597	7,613
Environmental	8,002	1,085	4,609	10,327	1,084	4,271
	23,533	2,115	12,660	24,890	1,681	11,884

Net assets exclude interest bearing liabilities, comprising loans, overdrafts and finance lease creditors.
These total £7,118,000 (1996: £6,667,000).

All turnover arose in the United Kingdom and is analysed by destination as follows:

	1997 £000	1996 £000
United Kingdom	16,187	15,355
Continental Europe	1,364	614
Rest of World	5,982	8,921
	23,533	24,890

4 OPERATING PROFIT

<i>Operating profit is stated after charging or (crediting) the following:</i>	1997 £000	1996 £000
Depreciation:		
Owned assets	686	709
Leased assets	424	334
Auditors' remuneration - audit services		
Group	40	32
Company	4	3
Other fees paid to the auditors and their associates		
Group	24	9
Company	10	1
Amortisation of intangible assets	44	40
Operating lease rentals	96	113
Exchange loss/(gain)	32	(51)

Insurance proceeds were received as compensation for damage incurred as a result of a fire at Vikoma's premises in January 1997. The insurance proceeds have been accounted for as follows:

	£000
Profit on disposal of fixed assets	162
Compensation for business interruption, reflected in other operating income	276
	<u>438</u>

OPERATING COSTS	1997 £000	1996 £000
Change in stocks of finished goods and work in progress	309	146
Raw materials and consumables	3,432	4,150
Staff costs	10,487	10,318
Depreciation	1,110	1,043
Other operating charges	6,862	7,902
	<u>22,200</u>	<u>23,559</u>

5 STAFF COSTS

<i>Staff costs (including Directors) comprise:</i>	1997 £000	1996 £000
Wages and salaries	9,348	9,131
Social security costs	742	771
Other pension costs (see note 32)	397	416
	<u>10,487</u>	<u>10,318</u>

STAFF COSTS *continued*

<i>The average number of persons employed by the group (including Directors) during the year, analysed by category, was as follows:</i>	Number of employees 1997	Number of employees 1996
Drivers and conductors	311	309
Environmental production	39	45
Maintenance and engineering	89	83
Salesmen	17	14
Other	182	186
	638	637

6 REMUNERATION OF DIRECTORS

	1997 £000	1996 £000
Directors' emoluments	293	298
Company contributions to money purchase pension schemes	16	-

The aggregate of emoluments of the highest paid Director was £116,000 (1996: £88,000) and company pension contributions of £16,000 (1996: £Nil) were made to a money purchase scheme on his behalf. On 1 May 1997, the highest paid Director was also granted options over 132,353 ordinary shares of the Company; these options can be exercised until 30 April 2001 at an exercise price of 68 pence per share.

	Number of directors 1997	Number of directors 1996
<i>Retirement benefits are accruing to the following number of Directors under:</i>		
Money purchase schemes	1	-
Defined benefit schemes	2	2

7 INTEREST RECEIVABLE

	1997 £000	1996 £000
On bank deposits	148	305

8 INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £000	1996 £000
Interest on bank loans and overdrafts	327	287
Charges arising on finance leases	166	94
	<u>493</u>	<u>381</u>

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £000	1996 £000
<i>The taxation charge is based on the profit for the year and comprises:</i>		
Corporation tax at 32.8% (1996: 33%)	528	658
Deferred tax at 31% (1996: 33%)	68	(132)
Adjustments in respect of prior years:		
Corporation tax	(18)	5
Deferred tax	(12)	(29)
	<u>566</u>	<u>502</u>

The effect of the change in corporation tax rate from 33% to 31%, introduced in the budget in July 1997, led to a £26,000 reduction in the deferred tax charge.

10 PROFIT FOR THE FINANCIAL YEAR

	1997 £000	1996 £000
Dealt with in the Accounts of the Company	509	571
Retained by subsidiaries	662	345
	<u>1,171</u>	<u>916</u>

The Company has taken advantage of the exemption permitted by Section 230 of the Companies Act 1985 not to present its own profit and loss account.

11 DIVIDENDS

	1997 £000	1996 £000
Proposed ordinary dividend of 2.1p per ordinary share (1996:1.9p)	<u>415</u>	<u>363</u>

12 EARNINGS PER ORDINARY SHARE

The earnings per ordinary share is calculated by reference to the weighted average number of shares in issue during the year of 19,181,892 (1996: 19,129,854) and on a profit for the year of £1,171,000 (1996:£916,000).

13 INTANGIBLE FIXED ASSETS

GROUP	£000
<i>Patents and licences at cost</i>	
At 1 May 1996 and 30 April 1997	<u>437</u>
<i>Amortisation</i>	
At 1 May 1996	98
Charged in the year	44
At 30 April 1997	<u>142</u>
<i>Net book value</i>	
At 30 April 1997	<u>295</u>
At 1 May 1996	<u>339</u>

24 TANGIBLE FIXED ASSETS

GROUP	Freehold Land and Buildings £000	Short Leasehold Land and Buildings £000	Public service vehicles £000	Plant and equipment £000	Total £000
<i>Cost or valuation</i>					
At 1 May 1996	3,750	245	10,174	3,219	17,388
Additions	119	44	255	590	1,008
Disposals	(213)	(2)	(725)	(608)	(1,548)
Revaluation	(46)	-	-	-	(46)
At 30 April 1997	3,610	287	9,704	3,201	16,802
<i>Depreciation</i>					
At 1 May 1996	372	53	4,702	2,046	7,173
Charged in the year	42	19	712	337	1,110
Disposals	(213)	-	(683)	(467)	(1,363)
At 30 April 1997	201	72	4,731	1,916	6,920
<i>Net book value</i>					
At 30 April 1997	3,409	215	4,973	1,285	9,882
At 30 April 1996	3,378	192	5,472	1,173	10,215

COMPANY	Freehold Land and Buildings £000	Short Leasehold Land and Buildings £000	Plant and equipment £000	Total £000
<i>Cost or valuation</i>				
At 1 May 1996	3,396	145	28	3,569
Additions	91	-	-	91
At 30 April 1997	3,487	145	28	3,660
<i>Depreciation</i>				
At 1 May 1996	177	23	28	228
Charged in the year	24	7	-	31
At 30 April 1997	201	30	28	259
<i>Net book value</i>				
At 30 April 1997	3,286	115	-	3,401
At 1 May 1996	3,219	122	-	3,341

The gross book value of freehold land and buildings of the Group includes £1,678,000 (1996: £1,587,000) of depreciable assets. The gross value of freehold land and buildings of the Company includes £1,205,000 (1996: £1,114,000) of depreciable assets.

The majority of the land and buildings of the Group and Company were revalued at 30 April 1988 at open market value based on existing use. The Vikoma buildings were revalued this year following the fire. The buildings were valued by James Harris, Chartered Surveyor, at open market value based on existing use. Other tangible fixed assets are included at cost.

The amount of land and buildings (included above at valuation), determined according to the historical cost accounting rules, is as follows:

	GROUP £000	COMPANY £000
Cost	1,237	1,068
Depreciation	(319)	(319)
Net book value	918	749

The net book value of the Group's tangible assets includes an amount of £3,853,000 (1996: £4,277,000) in respect of assets held under finance leases. The amount of depreciation allocated during the year for such assets amounts to £424,000 (1996: £334,000).

16 FIXED ASSET INVESTMENTS

Fixed asset investments relate to shares in Group undertakings stated at cost or valuation.
The Company's subsidiaries are set out in note 33.

	1997 £000	1996 £000
Cost or valuation	4,285	4,685
At 1 May		(400)
Redemption of preference shares	931	-
Additions		
At 30 April	5,216	4,285

The Company's investment in a subsidiary company was revalued at 30 April 1987 by the Directors at £1,945,000 being equivalent to the net asset value of that subsidiary at that time. The historical cost of the investment is £1,088,000.

On 28 June 1996, the Company acquired another 12.67% of the ordinary share capital of Vikoma International Limited (formerly Knowpower Limited). On 21 March 1997 the Company acquired the final 22.33% of the ordinary share capital. Vikoma International Limited is now a 100% subsidiary. Goodwill was calculated by comparing the fair value of the assets acquired against the purchase consideration. The consideration for these acquisitions was £901,000 and was settled by cash payments of £464,000 and the issue of 624,455 ordinary shares representing consideration of £437,000. There were no fair value or accounting alignment adjustments.

On 13 November 1996, Vikki Osborne Limited, a 100% subsidiary, issued an additional 29,500 £1 ordinary shares. The Company acquired all the share capital issued.

16 STOCKS

GROUP	1997 £000	1996 £000
Raw materials and consumables	649	678
Work in progress	98	351
Finished goods		56
	<u>747</u>	<u>1,085</u>

17 DEBTORS

GROUP	1997 £000	1996 £000
Trade debtors	2,592	2,297
Other debtors	1,003	790
Prepayments and accrued income	529	384
Corporation tax recoverable	26	
	<u>4,150</u>	<u>3,471</u>

COMPANY	1997 £000	1996 £000
Amounts owed by group undertakings	2,734	2,115
Other debtors	44	
Corporation tax recoverable	26	
	<u>2,804</u>	<u>2,115</u>

Of the above Company debtors, £896,000 (1996: £896,000) is due in more than one year.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

GROUP	1997 £000	1997 £000	1996 £000	1996 £000
Bank loans and overdrafts		3,235		1,937
Obligations under finance leases		527		651
Trade creditors		1,327		1,575
Other creditors including taxation and social security:				
Corporation tax (including ACT)	521		798	
Other taxes and social security	281		195	
Other creditors	1,771		1,482	
		2,573		2,475
Accruals and deferred income		890		1,049
Proposed ordinary dividend		415		363
		8,967		8,050

COMPANY	1997 £000	1997 £000	1996 £000	1996 £000
Bank overdraft		1,056		815
Amounts owed to group undertakings		5,328		5,118
Other creditors including taxation and social security:				
Corporation tax (including ACT)	146		111	
Other creditors	627			
		773		111
Accruals and deferred income				3
Proposed ordinary dividend		415		363
		7,572		6,410

The bank overdrafts of the Company and its subsidiaries are secured by a mortgage debenture over the assets of these companies.

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

GROUP	1997 £000	1996 £000
Finance lease creditor	1,916	2,279
Bank loan	1,440	1,800
	<u>3,356</u>	<u>4,079</u>
Capital amounts net of interest due under finance leases payable within the following periods:		
Two to five years	1,840	1,959
After five years	76	320
	<u>1,916</u>	<u>2,279</u>
Analysis of loan:		
Repayable in one year or less	360	212
Repayable between one and two years	360	360
Repayable between two and five years	1,080	1,080
Repayable after more than five years		360
	<u>1,800</u>	<u>2,012</u>

The bank loan is repayable in instalments. Interest is charged at 2% over bank base rate and the loan is secured over a freehold property of Vikoma International Limited, as well as by a mortgage debenture over the assets of Vikoma International Limited.

20 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	At 1 May 1996 £000	Utilised in year £000	Released to profit and loss £000	Provided in year £000	At 30 April 1997 £000
Deferred tax	370	-	-	46	416
Deferred consideration (note 31)	500	(250)	-	-	250
Repairs	279	(279)	-	-	-
Other	190	-	(100)	10	100
	1,339	(529)	(100)	56	766

The amounts provided for deferred taxation on the full provision basis are set out below:

GROUP	1997 Provided £000	1996 Provided £000
Excess of capital allowances over depreciation	599	674
Other timing differences	(82)	(213)
	517	461
Advance corporation tax recoverable	(101)	(91)
	416	370

PROVISIONS FOR LIABILITIES AND CHARGES *continued*

COMPANY	1997 Provided £000	1996 Provided £000
Excess of capital allowances over depreciation	101	104
Advance corporation tax recoverable	(101)	(91)
		13
	Deferred tax £000	Deferred tax £000
At beginning of year	104	134
Transfer to profit and loss account	(3)	(30)
At end of year	101	104

21 SHARE CAPITAL

	1997 £000	1996 £000
<i>Authorised:</i>		
30,000,000 Ordinary shares of 10p each	3,000	3,000
<i>Allotted, called up and fully paid</i>		
19,754,309 (1996: 19,129,854) Ordinary shares of 10p each	1,975	1,913

On 21 March 1997, 624,455 ordinary shares of 10p each were issued as part consideration in the acquisition of the remaining minority interest in Vikoma International Limited.

22 STATEMENT OF MOVEMENTS ON RESERVES

GROUP	Share capital £000	Merger relief reserve £000	Revaluation reserve £000	Capital reserve £000	Profit and loss account £000
Balance at 1 May 1996	1,913	-	251	321	2,707
Profit retained for the year	-	-	-	-	756
Goodwill written off on acquisition	-	-	-	-	(744)
Shares issued during the year	62	375	-	-	-
Balance at 30 April 1997	1,975	375	251	321	2,719

COMPANY	Share capital £000	Merger relief reserve £000	Revaluation reserve £000	Profit and loss account £000
Balance at 1 May 1996	1,913	-	833	572
Profit retained for the year	-	-	-	94
Shares issued during the year	62	375	-	-
Balance at 30 April 1997	1,975	375	833	666

Cumulative positive goodwill written off against reserves due to acquisition of subsidiaries totals £2,043,000 (1996: £1,299,000).

23 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

GROUP	1997 £000	1996 £000
Profit for the financial year	1,171	916
Dividends	(415)	(363)
Retained profit for the financial year	756	553
New share capital subscribed (including merger relief)	437	-
Goodwill arising on acquisition	(744)	(435)
Net addition to shareholders' funds	449	118
Opening equity shareholders' funds	5,192	5,074
Closing equity shareholders' funds	5,641	5,192
COMPANY		
Profit for the financial year	509	571
Dividends	(415)	(363)
Retained profit for the financial year	94	208
New share capital subscribed (including merger relief)	437	-
Opening equity shareholders' funds	3,318	3,110
Closing equity shareholders' funds	3,849	3,318

24 MINORITY INTEREST

This represents the 25% equity investment in Air Vehicles Limited held by management. At 1 May 1996 there was a 35% equity investment in Vikoma International; this was acquired by the Company during the year.

GROUP	£000
At 1 May 1996	25
Share of profits for year	33
Adjustment for Air Vehicles Limited acquisition	(7)
Vikoma International Limited's minority interest eliminated (see note 15)	(150)
	(99)

25 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1997 £000	1996 £000
Operating profit	1,743	1,550
Depreciation and amortisation	1,154	1,083
Movement in stocks	338	191
Movement in creditors	2	(411)
Movement in debtors	(653)	1,904
(Utilisation)/creation of provisions	(369)	469
Net cash inflow from operating activities	<u>2,215</u>	<u>4,786</u>

26 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997 £000	1996 £000
(Decrease)/increase in cash in the period	(1,168)	3,254
Cash outflow from decrease in debt and lease financing	699	722
Change in net debt resulting from cash flows	(469)	3,976
New finance leases		(1,310)
Movement in net debt in the period	(469)	2,666
Net debt at beginning of period	(3,092)	(5,758)
Net debt at end of period	<u>(3,561)</u>	<u>(3,092)</u>

27 ANALYSIS OF NET DEBT

	At 1 May 1996	Cash flow	Other non-cash flows	At 30 April 1997
	£000	£000	£000	£000
Cash at bank and in hand	3,575	(18)		3,557
Overdrafts	(1,725)	(1,150)		(2,875)
	1,850	(1,168)		682
Debt due within one year	(212)	212	(360)	(360)
Debt due after one year	(1,800)	-	360	(1,440)
Finance leases	(2,930)	487		(2,443)
Total	(3,092)	(469)		(3,561)

28 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1997 £000	1996 £000
<i>Return on investments and servicing of finance</i>		
Interest received	148	305
Interest paid	(359)	(240)
Interest element of finance lease rentals	(168)	(94)
NET CASH (OUTFLOW) FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(379)	(29)
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(1,008)	(542)
Sale of plant and machinery	603	314
NET CASH (OUTFLOW) FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(405)	(228)
<i>Acquisitions and disposals</i>		
Purchase of subsidiary undertaking	(713)	(187)
Grant received	-	200
NET CASH (OUTFLOW)/INFLOW FOR ACQUISITIONS AND DISPOSALS	(713)	13
<i>Financing</i>		
Repayment of loans	(212)	-
Capital element of finance lease rental payments	(487)	(722)
NET CASH (OUTFLOW) FROM FINANCING	(699)	(722)

29 COMMITMENTS

	1997 £000	1996 £000
GROUP		
<i>Capital commitments at 30 April 1997 for which no provision has been made in these accounts, were as follows:</i>		
Contracted		74
COMPANY		
<i>The Company had no capital commitments as at 30 April 1997 or 1996.</i>		

30 OPERATING LEASES

At 30 April 1997 the Group had annual commitments under operating leases as follows:

	Land & buildings 1997 £000	Land & buildings 1996 £000	Other 1997 £000	Other 1996 £000
Expiring within one year	3	10	-	4
Expiring between two and five years	45	-	36	36
Expiring beyond five years	-	45	-	-
	<u>48</u>	<u>55</u>	<u>36</u>	<u>40</u>

31 CONTINGENT LIABILITIES

The Company has given an unlimited guarantee in respect of the overdrafts of certain Group companies. At 30 April 1997 these overdrafts totalled £1,522,000 (1996: £733,000).

Contingent liabilities also include bank guarantees of £129,000 (1996: £93,500) arising from sales in the United Kingdom and the rest of the World in the normal course of trade.

If the Vikoma group (Vikoma International Limited and its subsidiaries) meets certain profit targets between the date of acquisition, 30 April 1995, and 30 April 1998, additional consideration of up to £750,000 may be payable to Christian Salvesen plc. £500,000 was provided for in previous years as the Directors' estimate of the amount which may eventually become payable, and during the year £250,000 of this provision was paid over.

In 1995, Vikoma International Limited received £200,000 from the Department of Trade and Industry in connection with the buy-out from Christian Salvesen plc. If certain conditions are not complied with, the grant may be held to be repayable.

32 PENSIONS

The Southern Vectis Group operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund called the Southern Vectis Group Pension Plan. 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 a qualified actuary on the basis of valuations using the projected unit method. The most recent valuation for accounting purposes was at 6 April 1994. The assumptions which have most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 2.5% more than salary increases and future pensions would increase at the rate laid down in the rules. The most recent actuarial valuation showed that the market value of the scheme's assets was £5,870,000 and that the actuarial value of those assets represented 100% of the benefits that had accrued to members after allowing for expected future increases in earnings.

An actuarial valuation is to be determined as at 6 April 1997. This has not yet been completed; the trustees are aware that the final valuation may be affected by changes introduced in the July 1997 budget. Any surplus or deficit arising from the valuation will be charged over the remaining service lives of the employees in accordance with SSAP 24.

Vikoma International Limited operates a money purchase scheme which holds the assets separately from those of the company.

The pensions charge for the year was £397,000 (1996: £416,000). Contributions of £39,000 (1996: £36,000) were outstanding at the year end; these were paid over in May 1997.

33 SUBSIDIARIES

SUBSIDIARY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PROPORTIONS OF ORDINARY SHARES HELD BY THE COMPANY
The Southern Vectis Omnibus Company Ltd	Public transport operator	UK	100%
Musterphantom Ltd	Public transport operator	UK	100%
Vikki Osborne (IW) Holidays Ltd	Package holiday operator	UK	100%
Southern Vectis Commercials Ltd	Commercial vehicle engineering	UK	100%
Southern Vectis Coaches Ltd (formerly Fountain Coaches Ltd)	Coach operator	UK	100%
Vikoma International Limited (formerly Knowpower Ltd)	Oil spill containment and recovery	UK	100%
Hoyle Marine International Ltd	Dormant	UK	*100%
Knowpower Limited (formerly Vikoma International Ltd)	Dormant	UK	*100%
Air Vehicles Limited	Fast ferry seat manufacturers	UK	75%

* shares not held in the company but by a subsidiary.

The Group also owns 20% of the share capital of the Kalisz Bus Company Limited; this is a company registered in Poland. This is not considered to be an associated company.