

BADGERLINE HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

31 DECEMBER 1989

Revised

9/89

2029363

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CHAIRMAN'S REPORT

The last year has been one of consolidation, both in the bus industry in general, and for Badgerline Holdings. 1989 saw the continued emergence and growth of groupings of the major bus operators in the private sector of the bus industry, and the Group achieved a satisfactory conclusion to the Monopolies and Mergers Commission investigation into the acquisition of Cityline. We further expanded our involvement in Western National by acquiring the remaining minority interest from Hill Samuel Bank. All four of the group's bus operations achieved a positive contribution to the group's results for the year, a considerable achievement given the situation at the beginning of the year, and established a sound base from which to continue its development.

Investment in new vehicles continued at levels necessary to correct the lack of investment prior to privatisation. At Cityline, 33 new Lynx were purchased, and Badgerline purchased 10 new Olympians for use in Bath. During 1990 investment in vehicles will amount to £6.5m. We believe that this is the highest level of investment by any of the privatised bus groups and demonstrates our commitment to the long term future of both the public transport industry and our employees.

Since the end of the year, the group has acquired two further major bus operations; South Wales Transport and Eastern National. These acquisitions increase the total number of employees to about 6,800, operating some 2,500 vehicles. The board of directors has been strengthened to ensure that the expanded group is under the best possible management, and to ensure that the group continues to develop in line with its long term plans.

On the property side, the group's property company, Dolsett Estates Limited, has obtained outline planning permission for a major shopping centre based on Marlborough Street Bus Station, Bristol. The plans include a new bus station within the retail development. We have also repurchased our depot at Bath to secure the long term involvement in the City and to enable us to reassess our long term requirements without the time constraints imposed by the original agreement to the Prudential.

Badger Retail has continued its policy of expansion by adding four more outlets during the year.

During the year, the Group achieved a profit before tax of £2.866m, a considerable improvement on the £1.222m (as restated) achieved during 1988. The directors have proposed a dividend of 6p per share from these profits.

**BADGERLINE HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES**

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CHAIRMAN'S REPORT

I am satisfied that the overall prospects for 1990 are good. The group has a strong base on which to build and a management team equal to the challenge. However, the government's existing policy of high interest rates has severely deflated consumer demand, and inevitably this has reduced the demand for bus travel. The present depressed state of the property market may adversely affect some of the planned timings of moves to new premises. We are confident that we will be able to overcome these temporary checks, thereby maintaining the group's strong market position.

T Smallwood

26 April 1990

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 1989.

Activities

The principal activities of the group are the operation of local bus services and coaches in the Midlands and South West of England, retail stores and the development of properties.

Financial Matters

The results for the year are given in the profit and loss account on Page 6.

The directors recommend that a dividend of £393,750 (6p per share) be paid for the year.

After deducting the dividend, the profit for the year retained in the group is £1.177m.

Share Capital

Details of the issue of shares during the year are shown in note 18 to the financial statements.

Fixed Assets

Information relating to changes in and valuation of fixed assets is given in notes 11 and 12 to the financial statements.

Directors

The directors who held office during the year were as follows:-

T Smallwood	(Chairman)
K H Ahlers	(appointed 4 May 1989)
D Faulk	
K Mills	(resigned 7 December 1989)
J McLaughlin	(appointed 5 October 1989)
D F Ross	(resigned 25 August 1989)
G G T Varley	(appointed 4 May 1989)
P K Williams	(appointed 4 May 1989)
V J Woolley	(appointed 2 November 1989)

DIRECTORS' REPORT (continued)

The directors who held office at the end of the financial year had the following interests in ordinary shares of the company:-

	No. of £1 shares at beginning of year	No. of £1 shares at date of appointment	No. of 20p shares at date of appointment	No. of 20p shares at end of year
T Smallwood	180,000			900,000
K H Ahlers		120,000		601,000
D Faull	-			1,000
J McLaughlin			-	-
G G T Varley		36,119		181,145
P K Williams		-		-
V J Woolley			121,235	121,235

The £1 ordinary shares were subdivided into 20p ordinary shares on 27 June 1989.

Employees

The group is committed to employee involvement and uses a variety of methods to inform, consult and involve its employees.

The group recognises its responsibilities towards disabled persons and does not discriminate against them in terms of job offers, training or career development and prospects.

Political and Charitable Contributions

The group made charitable contributions of £4,000 during the year. No political contributions were made.

Auditors

On 1 January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed their report in their new name. In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment and remuneration of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Badger Manor
Edingworth
Weston-Super-Mare
BS24 0JA

By order of the board

D. J. Ward.

D J Ward
Secretary

26 April 1990

AUDITORS' REPORT TO THE MEMBERS OF
BADGERLINE HOLDINGS LIMITED

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We have audited the financial statements on pages 6 to 29 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 December 1989 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

15 Pembroke Road
Bristol
BS8 3BG

26 April 1990

KPMG Peat Marwick McLintock

KPMG PEAT MARWICK McLINTOCK
Chartered Accountants

BADGERLINE HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1989

	Note	1989 £000's	1988 £000's (Restated)
TURNOVER	2	71,170	52,249
Operating costs		(60,437)	(44,872)
		<hr/>	<hr/>
GROSS PROFIT		10,733	7,377
Administrative expenses		(6,109)	(5,174)
		<hr/>	<hr/>
TRADING PROFIT		4,624	2,203
Share of results of related companies		-	(226)
Interest receivable	5	67	116
		<hr/>	<hr/>
		4,691	2,093
Interest payable	6	(1,825)	(871)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,4,7	2,866	1,222
Tax on profit on ordinary activities	8	(1,277)	(382)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,589	840
Extraordinary items	9	(18)	402
Minority interests			86
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		1,571	1,328
Dividends proposed	10	(394)	-
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR		1,177	1,328
		<hr/>	<hr/>
Profit for the year retained in:			
The company		(34)	418
Subsidiary companies		1,211	910
		<hr/>	<hr/>
		1,177	1,328
		<hr/>	<hr/>

The notes on pages 11 to 29 form part of these financial statements.
Movements on reserves are set out in note 19.

BADGERLINE HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES

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CONSOLIDATED BALANCE SHEET

As at 31 December 1989

	Note	<u>1989</u> £000's	<u>1988</u> £000's (Restated)
FIXED ASSETS			
Tangible assets	11	32,942	32,993
Investments	12	-	-
		<u>32,942</u>	<u>32,993</u>
CURRENT ASSETS			
Stocks	13	8,360	1,710
Debtors	14	3,898	7,196
Cash at bank and in hand		708	708
		<u>12,966</u>	<u>9,614</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(20,181)	(19,266)
NET CURRENT LIABILITIES		<u>(7,215)</u>	<u>(9,652)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>25,727</u>	<u>23,341</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(13,583)	(10,429)
PROVISION FOR LIABILITIES AND CHARGES	16	(2,901)	(4,223)
MINORITY INTERESTS		-	(1,008)
		<u>9,243</u>	<u>7,681</u>
CAPITAL AND RESERVES			
Called up share capital	18	1,312	1,250
Share premium account	19	186	81
Revaluation reserve	19	1,569	1,406
Capital reserve	19	4,107	3,741
Profit and loss account	19	2,069	1,203
		<u>9,243</u>	<u>7,681</u>

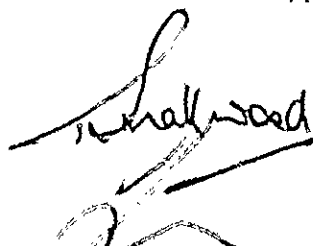
The notes on pages 11 to 29 form part of these financial statements.

BALANCE SHEET

As at 31 December 1989

	Note	1989	1988
		£000's	£000's
FIXED ASSETS			
Tangible assets	11	3,015	3,146
Investments	12	9,104	8,402
		<u>12,119</u>	<u>11,548</u>
CURRENT ASSETS			
Debtors	14	12,434	5,826
Cash at bank and in hand		1,432	-
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	<u>13,866</u> (16,218)	<u>5,826</u> (9,911)
NET CURRENT LIABILITIES		(2,352)	(4,085)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,767</u>	<u>7,463</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(5,667)	(1,968)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(760)	(2,288)
		<u>3,340</u>	<u>3,207</u>
CAPITAL AND RESERVES			
Called up share capital	18	1,312	1,250
Share premium	19	186	81
Revaluation reserve	19	1,569	1,569
Profit and loss account	19	273	307
		<u>3,340</u>	<u>3,207</u>

The notes on pages 11 to 29 form part of these financial statements.
These financial statements were approved by the board of directors on
26 April 1990.



T Smallwood Director

J McLaughlin Director

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31 December 1989

	1989	1988
	£000's	£000's (Restated)
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	2,866	1,222
Extraordinary items before taxation	-	1,114
	<u>2,866</u>	<u>2,336</u>
Adjustment for items not involving the movement of funds:		
Share of results of related companies	-	226
Depreciation (less profits on sale of tangible fixed assets)	3,789	2,786
Movement on provisions	(1,368)	(3,700)
	<u>5,287</u>	<u>1,648</u>
FUNDS FROM OTHER SOURCES		
Proceeds of issue of share capital	167	99
Proceeds of sale of tangible fixed assets	820	8,136
	<u>6,274</u>	<u>9,883</u>
APPLICATION OF FUNDS		
Acquisition of subsidiaries	-	(8,037)
Acquisition of minority interests	(660)	-
Purchase of tangible fixed assets	(4,558)	(3,330)
Purchase of goodwill	(148)	-
Taxation paid	(38)	(247)
	<u>(5,404)</u>	<u>(11,614)</u>
	<u>870</u>	<u>(1,731)</u>
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	6,350	409
Debtors	(3,298)	738
Creditors	(1,314)	5,200
	<u>2,038</u>	<u>6,347</u>
MOVEMENT IN NET LIQUID FUNDS:		
Cash at bank and in hand	-	(3,915)
Bank overdraft and loans	(1,168)	(4,163)
	<u>(1,168)</u>	<u>(8,078)</u>
	<u>870</u>	<u>(1,731)</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (continued)

For the year ended 31 December 1989

	<u>1989</u> £000's	<u>1988</u> £000's (Restated)
SUMMARY OF EFFECTS OF SUBSIDIARIES ACQUIRED:		
Net Assets Acquired:		
Fixed assets	-	22,164
Stocks	-	1,041
Debtors	-	3,019
Cash	-	4,362
Corporation tax	-	(381)
Creditors	-	(17,839)
Deferred tax	-	(1,198)
Minority interest	-	(1,083)
Capital reserves	-	(1,576)
	<u>-</u>	<u>8,509</u>
Discharged by:		
Cash	-	8,037
Shares including premium	-	231
Transfer from related company	-	241
	<u>-</u>	<u>8,509</u>

NOTES TO THE ACCOUNTS

31 December 1989

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with s228 and s230 of, and Schedule 4 to, the Companies Act 1985. Comparative figures have been restated to reflect changes resulting from a change in the basis of depreciation noted in paragraph (c) below.

(b) Consolidation

The consolidated financial statements incorporate the accounts of the company and certain of its subsidiaries; such accounts are made up to 31 December 1989.

As disclosed in the 1988 Accounts, the results of National Travelworld Limited (Badger Travel), a wholly owned subsidiary, have not been consolidated. The decision to terminate the activities was taken in 1988 and full provisions for the investment and losses to the date of closure were made in the 1988 Accounts as an extraordinary item. The amounts arising on the closure of this company have been charged against the provision disclosed in note 16.

In accordance with the Companies Act 1985, s228(7), a separate profit and loss account of Badgerline Holdings Limited is not presented, as the results of the company are disclosed in the consolidated profit and loss account.

Purchased goodwill and goodwill arising on consolidation in respect of new subsidiaries consolidated is debited to reserves in full in the year in which it arises.

Companies in which the group has an investment of not less than 20% of the voting capital and over which it is able to exercise significant influence are treated as related companies in accordance with the Companies Act 1985. The appropriate share of the results and retained reserves of these companies are included in the consolidated financial statements.

NOTES TO THE ACCOUNTS (continued)

31 December 1989

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Fixed Assets and Depreciation

Depreciation is provided by the group to write off the cost or valuation of tangible fixed assets over their estimated useful economic lives as follows:-

Freehold land and buildings	- 50 years straight line
Short leasehold property	- period of lease
Other plant and machinery	- 3 to 5 years straight line
Conventional Public Service Vehicles	- 15 years straight line (previously 15% reducing balance)
Minibuses	- 5 or 7 years straight line depending on manufacturer

The group's depreciation policy on conventional public service vehicles has been reviewed. It is considered that a 15 year straight line policy on these vehicles is a more appropriate method of determining the overall depreciation charge than the previously adopted 15% reducing balance method, and accordingly the depreciation policy for these vehicles has been changed. If the previous depreciation policy had been applied the charge for the year for the public service vehicle fleet would have been £3.690m.

(d) Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

NOTES TO THE ACCOUNTS (continued)

31 December 1989

(e) Stocks and work in progress

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

The costs of property development work in progress includes interest capitalised on loans raised to finance specific projects.

(f) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred tax is made only to the extent that it is probable that an actual liability will crystallise.

(g) Pension Costs

Retirement benefits for most employees of companies in the group are provided by defined benefit contribution schemes, which are funded by contributions from group companies and employees. The group's share of contributions is charged to the profit and loss account based on recommendations by independent actuaries, in such a way as to provide for the liabilities evenly over the remaining working life of the employees.

2. **TURNOVER AND PROFIT BEFORE TAXATION**

Turnover represents the amounts receivable for goods and services supplied to customers during the year.

The whole of the turnover and profit before taxation derives from the Group's principal activities within the United Kingdom.

NOTES TO THE ACCOUNTS (continued)

31 December 1989

3. EMPLOYEE NUMBERS AND COSTS

The average number of persons employed by the company and its subsidiaries (including directors) during the year was as follows:

	<u>1989</u>	<u>1988</u>
Drivers	2,838	1,973
Maintenance and traffic	888	660
Administration and branch	364	213
	<u>4,090</u>	<u>2,846</u>

The aggregate payroll costs of these persons were as follows:

	<u>1989</u> £000's	<u>1988</u> £000's
Wages and salaries	37,122	25,004
Social security costs	2,902	2,000
Other pension costs	1,581	1,129
	<u>41,605</u>	<u>28,133</u>

4. DIRECTORS' EMOLUMENTS

	<u>1989</u> £000's	<u>1988</u> £000's
Emoluments (including pension contributions)	254	254
Compensation for loss of office	131	-
Ex Gratia Payment to former director	-	159
	<u>385</u>	<u>413</u>

The emoluments, excluding pension contributions, of the chairman and highest paid director amounted to £65,932 (1988 - £57,536).

The number of other directors whose emoluments, excluding pension contributions and ex gratia payment, fell in each £5,000 bracket was as follows:

	<u>1989</u>	<u>1988</u>
£ 0 - £ 5,000	2	1
£ 5,001 - £10,000	1	1
£10,001 - £15,000	1	4
£25,001 - £30,000	2	-
£30,001 - £35,000	-	2
£40,001 - £45,000	1	-
£50,001 - £55,000	1	1

NOTES TO THE ACCOUNTS (continued)

31 December 1989

5. INTEREST RECEIVABLE

	<u>1989</u> £000's	<u>1988</u> £000's
Income from short-term deposits	67	116

6. INTEREST PAYABLE

	<u>1989</u> £000's	<u>1988</u> £000's
Interest on bank loans and overdrafts repayable within five years	109	429
Interest on finance leases	914	442
Interest on bank loans repayable in more than five years	802	-
	<u>1,825</u>	<u>871</u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	<u>1989</u> £000's	<u>1988</u> £000's
Depreciation of tangible fixed assets	4,088	2,995
Rents payable	383	375
Hire of plant and machinery	108	322
Auditors' remuneration	60	60
Profit on lease refinancing	(183)	-

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1989</u> £000's	<u>1988</u> £000's
UK corporation tax at 35% (35%) on the profit for the year	900	474
Prior year adjustments	200	(207)
Transfer to deferred tax	177	194
Related companies	-	(79)
	<u>1,277</u>	<u>382</u>

NOTES TO THE ACCOUNTS (continued)

31 December 1989

	<u>1989</u>		<u>1988</u>	
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
9. EXTRAORDINARY ITEMS				
Profit on sale of freehold properties and goodwill based on historic cost		-		6,096
Subsidiaries not consolidated:				
Cost of investments	-		(2,117)	
Provisions for losses	-		(2,288)	
Provisions for amounts due	-		(160)	
Interest paid	-		(309)	
Share of related companies	-		(108)	
	<u>-</u>		<u>(4,982)</u>	
		-		1,114
Corporation tax at 35%		-		(750)
Related company		-		38
		<u>-</u>		<u>402</u>
10. DIVIDENDS				
		<u>1989</u>		<u>1988</u>
		<u>£000's</u>		<u>£000's</u>
Ordinary shares - proposed		<u>394</u>		<u>-</u>

NOTES TO THE ACCOUNTS (continued)

31 December 1989

11. TANGIBLE FIXED ASSETS

	<u>Land and buildings</u> £000's	<u>Public Service Vehicle fleet</u> £000's	<u>Other plant and equipment</u> £000's	<u>Total</u> £000's
GROUP				
COST OR VALUATION				
At beginning of year	11,030	37,717	3,870	52,617
Additions	491	3,730	337	4,558
Disposals	(95)	(955)	(239)	(1,289)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	11,426	40,492	3,968	55,886
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DEPRECIATION				
At beginning of year (restated)	249	16,901	2,474	19,624
Charge for year	232	3,277	579	4,088
Disposals	(16)	(615)	(137)	(768)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	465	19,563	2,916	22,944
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUE				
At end of year	<u>10,961</u>	<u>20,929</u>	<u>1,052</u>	<u>32,942</u>
At beginning of year (restated)	<u>10,781</u>	<u>20,816</u>	<u>1,396</u>	<u>32,993</u>

NOTES TO THE ACCOUNTS (continued)

31 December 1989

11. TANGIBLE FIXED ASSETS (continued)

	Land and buildings £000's	Other plant and equipment £000's	Total £000's
COMPANY			
COST OR VALUATION			
At beginning of year	3,155	79	3,234
Additions	11	67	78
Intra group transfers	(113)	-	(113)
Disposals	-	(6)	(6)
	<u> </u>	<u> </u>	<u> </u>
At end of year	3,053	140	3,193
	<u> </u>	<u> </u>	<u> </u>
DEPRECIATION			
At beginning of year	61	27	88
Charge for year	62	36	98
Intra group transfers	(2)	-	(2)
Disposals	-	(6)	(6)
	<u> </u>	<u> </u>	<u> </u>
At end of year	121	57	178
	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUE			
At end of year	<u>2,932</u>	<u>83</u>	<u>3,015</u>
	<u> </u>	<u> </u>	<u> </u>
At beginning of year	<u>3,094</u>	<u>52</u>	<u>3,146</u>
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS (continued)

31 December 1989

11. TANGIBLE FIXED ASSETS (continued)

a) The net book value of land and buildings comprises:

	Group		Company	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	£000's	£000's	£000's	£000's
Freehold	10,047	9,771	2,736	2,894
Short Leasehold	914	1,010	196	200
	<u>10,961</u>	<u>10,781</u>	<u>2,932</u>	<u>3,094</u>

b) The assets which have been revalued comprise the following land and buildings:

	Group		Company	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	£000's	£000's	£000's	£000's
At 1988 professional valuation	5,807	5,807	-	-
At 1988 directors' valuation	200	200	200	200
At 1987 professional valuation	2,600	2,600	2,600	2,600
At 1986 directors' valuation	50	50	-	-
At 1985 directors' valuation	302	394	-	-
Aggregate depreciation thereon	(253)	(166)	(108)	(52)
Net book value	<u>8,706</u>	<u>8,885</u>	<u>2,692</u>	<u>2,748</u>
Historical cost of revalued assets	4,434	4,434	1,107	1,107
Aggregate depreciation based on historical cost	(950)	(861)	(120)	(98)
Historical net book value	<u>3,484</u>	<u>3,573</u>	<u>987</u>	<u>1,009</u>

NOTES TO THE ACCOUNTS (continued)

31 December 1989

11. TANGIBLE FIXED ASSETS (continued)

No provision is made for tax of £1.5m (1988 £1.5m) which would arise on the disposal of revalued properties at their valuations. The group has been indemnified by the National Bus Company Limited in respect of any capital gains tax liability which might arise on a disposal of certain of its properties at their value in 1986.

The National Bus Company Limited holds charges over certain freehold properties. If such properties were disposed of within a specified period of time, a proportion of the profits arising on the sale would be payable under the charges.

Included in the total net book value of tangible fixed assets is £14.106m (1988 - £12.319m) in respect of the public service vehicle fleet acquired by subsidiary companies under finance leases. Depreciation on these assets during the year was £1.552m (1988 - £1.886m).

NOTES TO THE ACCOUNTS (continued)

31 December 1989

12. FIXED ASSET INVESTMENTS

	<u>Group</u> Subsidiary companies unlisted not <u>consolidated</u>	<u>Company</u> Subsidiary companies unlisted
	£000's	£000's
<u>Cost</u>		
At beginning of year	2,117	10,714
Additions	-	736
Disposals	-	(34)
	<u>2,117</u>	<u>11,416</u>
<u>Provisions</u>		
At beginning and at end of year	<u>(2,117)</u>	<u>(2,312)</u>
NET BOOK VALUE		
At end of year	<u>-</u>	<u>9,104</u>
At beginning of year	<u>-</u>	<u>8,402</u>

All shares held in subsidiary companies are Ordinary Shares.

NOTES TO THE ACCOUNTS (continued)

31 December 1989

12. FIXED ASSET INVESTMENTS (continued)

The principal subsidiary companies, all of which are incorporated in the United Kingdom and are wholly owned at the end of the year are:

Local Bus and Coach Operators:

Badgerline Limited
Midland Red West Limited
Bristol Omnibus Company Limited
Western National Limited

Retail Outlets:

Badger Retail Limited

Property Developers:

Dolsett Estates Limited

Holding Companies:

Midland Red West Holdings Limited
Western National Holdings Limited
Badgerline Buses Limited

NOTES TO THE ACCOUNTS (continued)

31 December 1989

	<u>1989</u>	<u>Group</u> <u>1988</u>
	£000's	£000's
13. STOCK		
Spare parts and consumables	1,468	1,466
Property development work in progress	6,762	157
Goods for resale	130	87
	<u>8,360</u>	<u>1,710</u>

Property development work in progress includes £163,243 (1988 - £Nil) of interest capitalised from loans raised to finance specific projects.

	<u>1989</u>	<u>Group</u> <u>1988</u>	<u>1989</u>	<u>Company</u> <u>1988</u>
	£000's	£000's	£000's	£000's
14. DEBTORS				
Due within one year:				
Trade debtors	2,028	2,362	-	-
Amounts owed by subsidiaries	-	-	11,327	3,406
Dividend receivable from subsidiary	-	-	950	11
Other debtors	626	2,193	141	1,409
Prepayments and accrued income	1,244	1,641	16	-
	<u>3,898</u>	<u>7,196</u>	<u>12,434</u>	<u>4,826</u>
Due after more than one year:				
Other debtors	-	1,000	-	1,000
	<u>3,898</u>	<u>7,196</u>	<u>12,434</u>	<u>5,826</u>

BADGERLINE HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES

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NOTES TO THE ACCOUNTS (continued)

31 December 1989

	Group		Company	
	1989	1988	1989	1988
	£000's	£000's	£000's	£000's
15. CREDITORS				
Amounts falling due within one year:				
Bank overdraft	-	2,598	-	706
Loan	3,333	1,235	3,333	20
Obligations under finance leases	2,647	3,146	-	-
Trade creditors	4,805	5,081	99	222
Amounts owed to subsidiaries	-	-	10,801	8,303
Corporation tax	2,587	1,394	957	640
Other tax and social security	1,018	1,069	-	20
Other creditors	2,674	3,242	72	-
Accruals and deferred income	2,723	1,501	562	-
Proposed dividend	394	-	394	-
	<u>20,181</u>	<u>19,266</u>	<u>16,218</u>	<u>9,911</u>

Amounts falling due after more than one year:

Loans				
Due between 1 and 5 years	4,534	3,999	4,534	1,968
Due after 5 years	1,133	-	1,133	-
Obligations under finance leases				
Due between 1 and 5 years	5,869	6,396	-	-
Due after 5 years	2,047	34	-	-
	<u>13,583</u>	<u>10,429</u>	<u>5,667</u>	<u>1,968</u>

The bank overdraft is secured on the net assets of the group excluding freehold land and buildings.

The loans are secured on the group's freehold property; repayments are due over a six year period starting 31 December 1990; prior to which interest payments only will be made. The interest rate is 1½% above the LIBOR rate.

NOTES TO THE ACCOUNTS (continued)

31 December 1989

	<u>1989</u> £000's	<u>1988</u> £000's (Restated)
16. PROVISIONS FOR LIABILITIES AND CHARGES		
<u>Group</u>		
<u>Deferred Tax</u>		
At beginning of year	1,935	543
Subsidiaries acquired	-	1,198
Transfer from profit and loss account	177	194
ACT on proposed dividend	(131)	-
	<hr/>	<hr/>
At end of year	1,981	1,935
<u>Other Provisions</u>		
Losses of subsidiary, not consolidated	920	2,288
	<hr/>	<hr/>
Total at end of year	<u>2,901</u>	<u>4,223</u>
<u>Company</u>		
<u>Other Provisions</u>		
Losses of subsidiary	<u>760</u>	<u>2,288</u>

NOTES TO THE ACCOUNTS (continued)

31 December 1989

17. DEFERRED TAXATION

Deferred taxation provided and unprovided for in the financial statements is set out below. The amounts unprovided represent contingent liabilities at the balance sheet date and are calculated using a tax rate of 35%.

<u>Group</u>	<u>Amount Provided</u>		<u>Amount Unprovided</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	£000's	£000's	£000's	£000's
Accelerated capital allowances	2,774	2,786	290	260
Other timing differences	-	(187)	-	-
	<u>2,774</u>	<u>2,599</u>	<u>290</u>	<u>260</u>
Less: Trading losses	(662)	(664)	-	-
	<u>2,112</u>	<u>1,935</u>	<u>290</u>	<u>260</u>
ACT on proposed dividend	(131)	-	-	-
Unrealised capital gains	-	-	1,600	1,600
	<u>1,981</u>	<u>1,935</u>	<u>1,890</u>	<u>1,860</u>
<u>Company</u>				
Accelerated capital allowances			-	10
Unrealised capital gains			550	550
			<u>550</u>	<u>560</u>
			<u>1989</u>	<u>1988</u>
			£000's	£000's

18. CALLED UP SHARE CAPITAL

Authorised

Ordinary Shares of 20p each (1988 - £1 each)	<u>2,000</u>	<u>2,000</u>
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Allotted, called up and fully paid

At beginning of year	1,250	1,001
Issued as consideration for shares acquired	-	201
Issued for cash	62	48
	<u>1,312</u>	<u>1,250</u>

At end of year	<u>1,312</u>	<u>1,250</u>
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The number of ordinary shares of 20p each (1988 - £1 each) in issue was 6,562,510 (1988 - 1,250,002).

NOTES TO THE ACCOUNTS (continued)

31 December 1989

18. CALLED UP SHARE CAPITAL (continued)

The £1 ordinary shares were subdivided into 20p ordinary shares on 27 June 1989.

62,500 £1 ordinary shares were issued for cash in February 1989. Consideration received was £2.70 per share. The issue of the shares was made by the company as part of an agreement to purchase the minority interest in Dolsett Estates Limited.

	Share Premium Account £000's	Capital Reserve £000's	Revaluation Reserve £000's	Profit and Loss Account £000's
19. RESERVES				
GROUP				
At beginning of year as previously stated	81	2,468	1,406	746
Prior year adjustment				
Depreciation	-	2,211	-	662
Deferred tax	-	(773)	-	(203)
Minority interest	-	(165)	-	(2)
At beginning of year as restated	81	3,741	1,406	1,203
Transfer on sale	-	-	163	(163)
Arising on acquisition of minority interests	-	366	-	-
Profit for the year	-	-	-	1,177
Issue of shares for cash	105	-	-	-
Goodwill written off	-	-	-	(148)
At end of year	186	4,107	1,569	2,069
COMPANY				
At beginning of year sale	81		1,569	307
Loss for the year	-		-	(34)
Issue of shares for cash	105		-	-
At end of year	186		1,569	273

NOTES TO THE ACCOUNTS (continued)

31 December 1989

20. CONTINGENT LIABILITIES

The company has guaranteed the overdrafts of its subsidiaries; the amount outstanding at the year end was £Nil (1988 - £1.892m). The company has given guarantees and other security for the liabilities of its subsidiaries arising under finance leases. At the year end the amount outstanding under such guarantees was £10.563m (1988 - £9.576m).

The liability to deferred tax has been provided as disclosed in note 17.

	Group		Company	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	£000's	£000's	£000's	£000's
21. COMMITMENTS				
<u>Capital Expenditure</u>				
Contracted for but not provided	<u>3,500</u>	<u>5,894</u>	<u>-</u>	<u>-</u>
Authorised but not contracted for	<u>10,546</u>	<u>-</u>	<u>-</u>	<u>-</u>

22. OPERATING LEASES

Commitments to payments in respect of operating leases are as follows:-

GROUP	<u>Land and Buildings</u>	<u>Other</u>
	£000's	£000's
Operating leases which expire in:		
1990	17	9
1991 - 1994	33	64
After 1994	153	-

NOTES TO THE ACCOUNTS (continued)

31 December 1989

23. PENSION SCHEMES

The group operates six defined benefit pension schemes, all of which are funded.

Actuarial valuations of two schemes have been carried out as at 6 April 1988 which do not reveal any material deficiencies or surpluses of funds. Actuarial reports in respect of the two valuations carried out as at 6 April 1989 have not yet been issued in a finalised form, but the group has been advised that the valuations do not reveal any material deficiencies or surpluses of funds. All the valuations were made using the projected unit method and the main assumptions used were that the rate of investment return will be 10% per annum; the rate of earnings increase will be 7½% per annum (8% per annum used in one scheme); and the rate of inflation will be 5% per annum.

The remaining two schemes have yet to have an actuarial valuation as at 6 April 1989. The group, pending the actuarial valuations, has continued to make contributions in accordance with the recommendation of the actuary at the time the pension funds were taken over from the National Bus Company Limited.

24. POST BALANCE SHEET EVENTS

Since the year end, the company has acquired the entire share capital of The South Wales Transport Company Limited and Eastern National Limited, together with minor subsidiaries and associates of these two companies. These acquisitions will increase the annual turnover of the group to around £130m and enhance the long term prospects of the group.

As part of the acquisition arrangements, the group's medium and long term loan facilities were reorganised. Security is given by charges over all of the group's freehold land and buildings, and over the current assets of subsidiaries acquired, including trading stock. Repayment of principal amounts start in February 1991 or on the earlier sale of certain properties and may extend to the year 2020.