2605899

BLAZEFIELD HOLDINGS LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 OCTOBER 1997



BLAZEFIELD HOLDINGS LIMITED

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BLAZEFIELD HOLDINGS LIMITED

DIRECTORS AND COMPANY INFORMATION

DIRECTORS

G R Fearnley (*Chairman*)
S D Wilde (*Group Managing Director*)
C R Smith (*Group Finance Director*)
R H Roberts
D J Hurry
J A Joslin
M P Mullins

SECRETARY

C R Smith

BANKERS

National Westminster Bank plc
Bishopsgate Business Centre
P O Box No 34
15 Bishopsgate
London
EC2P 2AP

AUDITORS

Solomon Hare
Oakfield House
Oakfield Grove
Clifton
Bristol
BS8 2BN

SOLICITORS

Osborne Clarke
50 Queen Charlotte Street
Bristol
BS1 4HE

REGISTERED OFFICE

20 Devonshire Street
Keighley
BD21 2AU

COMPANY REGISTRATION NUMBER: 2605399

DIRECTORS' REPORT

The Directors present their report and statement of accounts for the year ended 31 October 1997.

Principal Activity

The principal activity of the Company is that of a holding company for subsidiaries which operate scheduled bus and coach services primarily in Yorkshire, Cambridgeshire, Hertfordshire and London.

Results and Review of the Year

On 25 July 1997 the Company acquired the remaining 25% minority interests in the ordinary share capital of Blazefield Travel Group Limited, Sovereign Bus & Coach Company Limited and Welwyn & Hatfield Line Bus Company Limited.

The Group achieved a 5.3% increase in operating profit before exceptional items, to £3,112,000 (1996:£2,955,000), giving an operating margin of 11.2% (1996:11.1%). Profit before taxation shows only a small increase over the previous year due principally to an increase in net interest payable arising from the acquisition of the minority interests.

Further investment of £2,847,000 in new buses and coaches during the year, coupled with an emphasis on staff training, has enabled the Group to make further improvements to the quality of its services. It is encouraging that the Group continues to experience passenger growth on a number of key corridors.

Future Developments

The Directors will continue to develop the business principally through such quality improvements whilst examining opportunities for related acquisitions.

The Group is well placed to play its full part in the areas it serves as public transport is increasingly seen as the solution to meet the growing transport needs of the country.

Directors

The Directors of the Company at the date of this report are given on page 1. Messrs G R Fearnley, S D Wilde, R H Roberts and C R Smith served throughout the year. Messrs D J Hurry, J A Joslin and M P Mullins were appointed on 12 August 1997. The interests of the Directors in the share capital of the Company, at both the end and beginning of the year, or later date of appointment, are as follows:

	Ordinary £1 shares
Mr G R Fearnley	37,500
Mr S D Wilde	12,500
Mr C R Smith	-
Mr R H Roberts	-
Mr D J Hurry	-
Mr J A Joslin	-
Mr M P Mullins	-

Directors (continued)

Throughout the year Mr S D Wilde also had an interest in 25 ordinary £1 shares of Blazefield Investments Limited. None of the other Directors had any interest in the share capital of subsidiary companies during the year.

Employment of Disabled Persons

The Group recognises its obligation to give disabled people full and fair consideration for all vacancies within the statutory medical requirements which have to be met for certain grades of staff. Wherever reasonable and practical the Group will retain newly disabled employees and at the same time provide fair opportunities for the career development of disabled people.

Employee Involvement

As far as is possible, allowing for commercial confidentiality, the Group endeavours to provide its employees with information on matters that are of concern to them as employees. This has included regular meetings of established committees, consisting of representatives of management and staff and the Group welcomes staff participation in these and other forums.

Directors' Responsibilities in the Preparation of Accounts

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group 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 Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT
(continued)

Auditors

A resolution for the reappointment of Solomon Hare as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Chris Smith

C R Smith
Secretary

Registered Office:

20 Devonshire Street
Keighley
BD21 2AU

Registered Number : 2605399

9 January 1998



SOLOMON HARE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS OF BLAZEFIELD HOLDINGS LIMITED

We have audited the accounts on pages 6 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

Respective Responsibilities of Directors and Auditors

As described on page 3 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 circumstances of the Company and the Group 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 at 31 October 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.

Solomon Hare

SOLOMON HARE

Registered Auditors
Chartered Accountants
Bristol

9 January 1998

9 January 1998

BLAZEFIELD HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 1997

	Note	1997 £'000	1996 £'000
Turnover	2	27795	26507
Operating Costs (including exceptional items)		(24821)	(23677)
Operating Profit before Exceptional Items		3112	2955
Exceptional Items	3	(138)	(125)
Operating Profit	3	2974	2830
Interest payable (net)	4	(848)	(709)
Profit on Ordinary Activities Before Taxation		2126	2121
Tax on profit on ordinary activities	6	(420)	(503)
Profit on Ordinary Activities After Taxation		1706	1618
Dividends		-	(219)
Minority interests	19	(285)	(349)
Retained Profit for the Year		1421	1050

A statement of movement on reserves is given at note 17.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

The notes on pages 11 to 24 form part of these accounts.

BLAZEFIELD HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 1997

	Note	1997		1996	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	7		14517		13174
Investments	9		14		14
			14531		13188
Current Assets					
Stocks	10	578		596	
Debtors	11	3692		3271	
Cash at bank and in hand		197		237	
		4467		4104	
Creditors					
Amounts falling due within one year	12	(8223)		(7691)	
Net Current Liabilities			(3756)		(3587)
Total Assets Less Current Liabilities			10775		9601
Creditors					
Amounts falling due after more than one year	13		(9098)		(5526)
Provisions for liabilities and charges	15		(1085)		(1123)
Net Assets			592		2952
Capital and Reserves					
Called up share capital	16		50		50
Profit and loss account	17		542		2042
Equity Shareholders' Funds	18		592		2092
Minority interests	19		-		860
Total Capital Employed			592		2952

These accounts were approved by the Board of Directors on 9 January 1998.

G R Fearnley ..... S D Wilde

Chairman — Group Managing Director

The notes on pages 11 to 24 form part of these accounts.

BLAZEFIELD HOLDINGS LIMITED

COMPANY BALANCE SHEET AT 31 OCTOBER 1997

	Note	1997		1996	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	8		12606		11626
Investments	9		3255		1197
			15861		12823
Current Assets					
Debtors					
- due within one year	11	1291		1402	
- due after more than one year	11	208		1077	
		1499		2479	
Creditors					
Amounts falling due within one year	12	(3854)		(3127)	
Net Current Liabilities			(2355)		(648)
Total Assets Less Current Liabilities			13506		12175
Creditors					
Amounts falling due after more than one year	13		(12596)		(11280)
Provisions for liabilities and charges	15		(412)		(458)
Net Assets			498		437
Capital and Reserves					
Called up share capital	16		50		50
Profit and loss account	17		448		387
Equity Shareholders' Funds			498		437

These accounts were approved by the Board of Directors on 9 January 1998.

G R Fearnley ..... S D Wilde

Chairman — Group Managing Director

The notes on pages 11 to 24 form part of these accounts.

BLAZEFIELD HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 1997

	1997		1996	
	£'000	£'000	£'000	£'000
Net Cash Inflow from Operating Activities		4376		4701
Returns on Investments and Servicing of Finance				
Interest element of finance lease and hire purchase rentals	720		651	
Other interest paid (net)	44		65	
Dividends paid to minority interests	2000		73	
Net cash outflow from returns on investments and servicing of finance		(2764)		(789)
Taxation				
Corporation tax paid		(838)		(601)
Capital Expenditure and Financial Investment				
Purchase of tangible fixed assets	(908)		(349)	
Sale of tangible fixed assets	506		460	
Net cash (outflow)/inflow from capital expenditure and financial investment		(402)		111
Acquisitions and Disposals				
Purchase of minority interests	(1541)		-	
Purchase of business undertakings	-		(25)	
Sale of fixed asset investments	-		24	
Net cash outflow from acquisitions and disposals		(1541)		(1)
Equity Dividends Paid		-		(219)
Financing				
New bank loans	4275		-	
Directors' loans	100		-	
Repayment of bank loans	(245)		(351)	
Repayment of loan notes	(159)		(283)	
Capital element of finance lease and hire purchase rentals	(2957)		(2524)	
Net cash inflow/(outflow) from financing		1014		(3158)
(Decrease)/Increase in Cash		(155)		44

The notes on page 10 form part of this Cash Flow Statement

BLAZEFIELD HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 1997

A. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	1997 £'000	1996 £'000
Operating profit	2974	2830
Depreciation	2074	1863
Profit on disposal of tangible fixed assets	(168)	(179)
Decrease in stocks	18	21
Decrease in debtors	3	431
Decrease in creditors	(525)	(265)
Net cash inflow from operating activities	4376	4701

B. Reconciliation of Net Cash Flow to Movement in Net Debt

	1997 £'000	1996 £'000
(Decrease)/Increase in cash in the year	(155)	44
New bank loans and Directors' loans to finance purchase of minority interests	(4100)	-
New bank loan to finance purchase of freehold land and buildings	(275)	-
Cash to repay bank loans	245	351
Cash to repay loan notes	159	283
Cash to repay finance leases and hire purchase contracts	2957	2524
Change in net debt from cashflows	(1169)	3202
Non-cash items	(3347)	(2833)
Net debt at 1 November 1996	(8478)	(8847)
Net debt at 31 October 1997	(12994)	(8478)

C. Analysis of Changes in Net Debt

	1996 £'000	Cashflows £'000	Non-cash Items £'000	1997 £'000
Cash at bank and in hand	237	(40)	-	197
Bank overdraft	(240)	(115)	-	(355)
Bank loans	(342)	(4030)	-	(4372)
Loan notes	(192)	159	(500)	(533)
Finance lease and hire purchase contracts	(7941)	2957	(2847)	(7831)
Directors' loans	-	(100)	-	(100)
	(8478)	(1169)	(3347)	(12994)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

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

(b) BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of the Company and each of its subsidiary undertakings made up to 31 October 1997. Uniform accounting policies are followed throughout the Group.

The consolidated profit and loss account includes the results of businesses purchased from the effective date of acquisition and excludes the results of businesses disposed of from the effective date of disposal.

No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985. The Company's results for the year are shown in note 17 below.

(c) FINANCE LEASES (AND SIMILAR HIRE PURCHASE CONTRACTS)

Where a company 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 its estimated useful life. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account in proportion to the capital outstanding, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as `operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the lease term.

(d) 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 is made for deferred tax only to the extent that it is probable that an actual liability will crystallise. In the Company and its subsidiary undertakings the liability is assessed with reference to the individual company. On consolidation the liability is assessed with reference to the whole Group.

1. ACCOUNTING POLICIES (continued)

(e) STOCKS

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

(f) GOODWILL

Goodwill arising on new acquisitions, which represents the excess of cost over the fair value of the underlying net assets, is written off against reserves in the year in which it arises.

The cumulative amount of goodwill which has been written off to reserves is £5,226,000.

(g) PENSIONS

The Group operates a funded defined benefit pension scheme. Contributions, which are determined after consultation with the scheme's actuaries, are charged to the profit and loss account so as to spread the cost of pensions over the average expected working lives of employees in the scheme.

The Group also operates two defined contribution pension schemes. Contributions payable for the year are charged to the profit and loss account.

(h) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost. Depreciation is provided on a straight line basis to write off the cost less estimated residual value of fixed assets over their expected useful economic lives as follows:

Freehold land and buildings	50 years
Short leasehold land and buildings	3-15 years
Buses and coaches	7-15 years
Cars, vans and lorries	3-5 years
Computer equipment	3-5 years
Other plant and equipment	3-10 years

(i) FIXED ASSET INVESTMENTS

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

2. TURNOVER

All turnover (which is stated net of value added tax) and profit before taxation is derived from the Group's principal activity, operating scheduled bus and coach services primarily in Yorkshire, Cambridgeshire, Hertfordshire and London.

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

		1997 £'000	1996 £'000
Auditors' remuneration	- audit	47	45
	- non-audit	29	15
Staff	- wages and salaries	13256	12856
	- social security costs	1060	1061
	- other pension costs	468	524
	- redundancy/medical severance	35	78
	- compensation to former director of subsidiary undertaking for loss of office (exceptional item)	-	125
Depreciation	- owned assets	676	599
	- assets on finance lease or hire purchase	1398	1264
Operating leases	- land and buildings	634	624
	- other	35	82
Reimbursement of fuel duty (S33 Transport Act 1968)		(2089)	(2002)
Profit on disposal of tangible fixed assets		(168)	(179)
Exceptional costs associated with the acquisition of minority interests		138	-

The total figure for operating costs includes administrative expenses of £2,849,000 (1996 : £2,971,000). Auditors' remuneration capitalised during the year, and not included above, totalled £9,000 (1996:£nil).

4. INTEREST PAYABLE (NET)

	1997 £'000	1996 £'000
On bank loans, overdrafts and other loans	140	81
On finance leases and hire purchase contracts	720	651
Other interest payable	1	2
Bank interest receivable	(8)	(16)
Other interest receivable	(5)	(9)
	848	709

5. EMOLUMENTS OF DIRECTORS

	1997 £'000	1996 £'000
Aggregate emoluments	244	209
Company contributions to defined benefit pension scheme	2	-
Company contributions to defined contribution pension scheme	35	35
	281	244
Emoluments of highest paid director		
- Aggregate emoluments	83	84
- Company contributions to defined contribution pension scheme	15	15
	98	99

At 31 October 1997 three directors had retirement benefits accruing under a defined benefit pension scheme (1996-none) and three directors had retirement benefits accruing under a defined contribution pension scheme (1996-three).

6. TAXATION

The tax charge for the year comprises:	1997 £'000	1996 £'000
Current year		
UK corporation tax at 31.8% (1996:33%)	449	416
Deferred taxation (note 15)	(25)	93
	424	509
Prior year	(4)	(6)
	420	503

7. TANGIBLE FIXED ASSETS (GROUP)

	Freehold land and buldings £'000	Short leasehold land and buildings £'000	Buses and coaches £'000	Plant & equipment £'000	Total £'000
COST					
At 1 November 1996	112	460	16744	1722	19038
Additions	501	25	2989	240	3755
Disposals	-	-	(757)	(137)	(894)
At 31 October 1997	613	485	18976	1825	21899
DEPRECIATION					
At 1 November 1996	13	157	4490	1204	5864
Charge for the year	12	63	1779	220	2074
On disposals	-	-	(439)	(117)	(556)
At 31 October 1997	25	220	5830	1307	7382
NET BOOK VALUE					
At 31 October 1997	588	265	13146	518	14517
At 31 October 1996	99	303	12254	518	13174

The net book value of buses and coaches includes an amount of £12,192,000 (1996 : £10,986,000) in respect of assets held under finance leases and hire purchase contracts. The net book value of plant and equipment includes an amount of £2,000 (1996 : £4,000) in respect of assets held under finance leases and hire purchase contracts.

8. TANGIBLE FIXED ASSETS (COMPANY)

	Freehold land and buildings £'000	Buses and coaches £'000	Plant and equipment £'000	Total £'000
COST				
At 1 November 1996	105	15494	123	15722
Additions	-	2989	35	3024
Disposals	-	(713)	(52)	(765)
At 31 October 1997	105	17770	106	17981
DEPRECIATION				
At 1 November 1996	11	4036	49	4096
Charge for the year	2	1688	32	1722
On disposals	-	(409)	(34)	(443)
At 31 October 1997	13	5315	47	5375
NET BOOK VALUE				
At 31 October 1997	92	12455	59	12606
At 31 October 1996	94	11458	74	11626

The net book value of buses and coaches includes an amount of £11,509,000 (1996 : £10,222,000) in respect of assets held under finance leases and hire purchase contracts.

9. FIXED ASSET INVESTMENTS

	Group Fixed asset investments £'000	Company Shares in subsidiary undertakings £'000
COST		
At 1 November 1996	64	1246
Additions	-	2064
At 31 October 1997	64	3310
PROVISION FOR DIMINUTION IN VALUE		
At 1 November 1996	50	49
Profit and loss account	-	6
At 31 October 1997	50	55
NET BOOK VALUE		
At 31 October 1997	14	3255
At 31 October 1996	14	1197

The Company holds 100% of the ordinary share capital of the following subsidiary undertakings. All holdings are direct except where otherwise shown.

	Principal Activity
Blazefield Travel Group Limited	Holding Company
Sovereign Bus & Coach Company Limited	Bus Operator
London Sovereign Limited	Bus Operator
Welwyn & Hatfield Line Bus Company Limited	Dormant
Held by Blazefield Travel Group Limited	
Blazefield Claims Services Limited	Claims Handling Agent
Blazefield Buses Limited	Holding Company
Keighley Northern Rose Limited	Dormant
Held by Blazefield Buses Limited	
Keighley & District Travel Limited	Bus Operator
Harrogate & District Travel Limited	Bus Operator
Yorkshire Coastliner Limited	Bus Operator
Sovereign Buses (Harrow) Limited	Bus Operator
Cambridge Coach Services Limited	Bus Operator
Harrogate Independent Travel Limited	Dormant
Harrow Buses Limited	Dormant
Held by Harrow Buses Limited	
Blazefield Rail Limited	Dormant

9. FIXED ASSET INVESTMENTS (continued)

The Company also holds 75% of the ordinary share capital of Blazefield Investments Limited, an investment company.

The Group holds listed investments at a cost of £4,000 (1996 : £4,000). At 31 October 1997 the market value of these investments, which are all listed on The London Stock Exchange, was £10,000 (1996 : £10,000).

Harrow Buses Limited holds 15% of the ordinary share capital of West Yorkshire Metro National Transport Company Limited, a dormant company, in the form of 15 fully paid ordinary shares of £1 each at cost.

10. STOCKS

	Group	
	1997	1996
	£'000	£'000
Property held for disposal	260	260
Materials	225	248
Fuel	93	88
	578	596

11. DEBTORS

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Trade debtors	1157	924	1	1
Amounts owed by Group undertakings	-	-	208	1133
Group relief receivable	-	-	281	269
ACT recoverable	431	-	-	-
Other debtors	696	999	2	182
Prepayments and accrued income	1408	1348	1007	894
	3692	3271	1499	2479

Group other debtors include £15,000 (1996:£15,000) due after more than one year.

Company amounts owed by Group undertakings include £208,000 (1996:£1,077,000) due after more than one year.

12. CREDITORS

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Bank overdrafts (note 14)	355	240	185	19
Bank loans (note 14)	449	222	362	182
Loan notes (note 14)	533	148	533	148
Trade creditors	1098	1352	5	7
Amounts owed to Group undertakings	-	-	-	73
Obligations under finance leases and hire purchase contracts (note 14)	2756	2579	2569	2418
Corporation tax	381	350	-	-
Other taxes and social security	450	392	46	11
Other creditors	354	366	4	8
Accruals and deferred income	1847	2042	150	261
	8223	7691	3854	3127

13. CREDITORS

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year:				
Bank loans (note 14)	3923	120	3638	-
Loan notes (note 14)	-	44	-	44
Amounts owed to Group undertakings	-	-	4073	6350
Obligations under finance leases and hire purchase contracts (note 14)	5075	5362	4785	4886
Directors' loans (note 14)	100	-	100	-
	9098	5526	12596	11280

14. ANALYSIS OF BORROWINGS

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Due within one year:				
Bank overdrafts	355	240	185	19
Bank loans	449	222	362	182
Loan notes	533	148	533	148
Finance leases and hire purchase contracts	2756	2579	2569	2418
	4093	3189	3649	2767
Due from one to two years:				
Bank loans	655	40	564	-
Loan notes	-	44	-	44
Finance leases and hire purchase contracts	1994	2328	1781	2142
	2649	2412	2345	2186
Due from two to five years:				
Bank loans	2368	80	2174	-
Finance leases and hire purchase contracts	2947	2788	2870	2498
	5315	2868	5044	2498
Due after five years:				
Bank loans	900	-	900	-
Finance leases and hire purchase contracts	134	246	134	246
Directors' loans	100	-	100	-
	1134	246	1134	246
Total Borrowings	13191	8715	12172	7697

Bank loans and overdrafts are secured by fixed and floating charges over the assets of Group companies together with a composite guarantee between Group companies. A £1.5 million bank loan is repayable by instalments which are partly due after five years and which carry interest at 2.25 per cent per annum over LIBOR. Certain finance leases and hire purchase contracts are repayable by instalments which are partly due after five years and which carry interest at fixed rates of between 8.3 and 9.6 per cent per annum.

15. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Pension £'000	Holiday pay £'000	Deferred taxation £'000	Total £'000
At 1 November 1996	229	392	502	1123
Profit and loss account	(28)	15	(25)	(38)
At 31 October 1997	201	407	477	1085

COMPANY

	Deferred taxation £'000
At 1 November 1996	458
Profit and loss account	(46)
At 31 October 1997	412

Deferred taxation has been provided, at the current full corporation tax rate of 31%, to the extent that the Directors have concluded, on the basis of reasonable assumptions and future capital expenditure plans, it is probable that only part of the deferred taxation liability will crystallise.

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Provided:				
Excess of tax allowances over book depreciation of fixed assets	515	502	450	458
Other timing differences	(38)	-	(38)	-
	477	502	412	458
Full Potential Liability:				
Excess of tax allowances over book depreciation of fixed assets	1163	963	1141	957
Other timing differences	(113)	(89)	(40)	(5)
	1050	874	1101	952

16. SHARE CAPITAL

The authorised, allotted, called-up and fully paid share capital at both 31 October 1997 and 1996 was 50,000 ordinary shares of £1 each.

17. PROFIT AND LOSS ACCOUNT

The movement on profit and loss account was as follows:

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
At 1 November 1996	2042	1028	387	184
Retained profit for the year	1421	1050	61	183
Goodwill on acquisitions	(2921)	(56)	-	-
Transfer from revaluation reserve	-	20	-	20
At 31 October 1997	542	2042	448	387

The amount written off as goodwill includes £25,000 (1996:£18,000) in respect of deferred consideration.

18. STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997	1996
	£'000	£'000
Retained profit for the year	1421	1050
Goodwill written off in the year	(2921)	(56)
Eliminate revaluation	-	(8)
Net (decrease)/increase in shareholders' funds	(1500)	986
Opening shareholders' funds	2092	1106
Closing shareholders' funds	592	2092

19. MINORITY INTERESTS

The movement in minority interests was as follows:

	1997	1996
	£'000	£'000
At 1 November 1996	860	584
Profit and loss account	285	349
Dividends paid	(2000)	(73)
Acquired by the Company	855	-
At 31 October 1997	-	860

20. ACQUISITION OF MINORITY INTERESTS

On 25 July 1997 the Company acquired the remaining 25% interests in the ordinary share capital of Blazefield Travel Group Limited, Sovereign Bus & Coach Company Limited and Welwyn & Hatfield Line Bus Company Limited.

The Company paid £1,500,000 in cash; £500,000 was deferred by way of loan note; and costs of £41,000 were incurred to acquire net liabilities totalling £855,000. This gave rise to purchased goodwill of £2,896,000 which has been written off against reserves in accordance with Group policy.

The three companies have been consolidated as subsidiaries since 9 August 1991 when 75% of their ordinary share capital was acquired. The Directors therefore consider that it would be of no value to provide for each company either a pre and post acquisition split of results or an analysis of net liabilities acquired.

21. LEASING COMMITMENTS

At 31 October 1997 there were annual commitments under operating leases which expire:

	Land and buildings		Other	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
GROUP				
Within one year	154	117	3	3
Between two and five years	164	226	32	30
In over five years	270	284	-	-
	588	627	35	33
COMPANY				
Between two and five years	13	13	2	2
In over five years	194	194	-	-
	207	207	2	2

22. CAPITAL COMMITMENTS

Capital expenditure on new buses and coaches contracted but not provided for by the Group and Company, at the end of the financial year, totalled £1,890,000 (1996 : £2,339,000).

23. EMPLOYEES

The average number of persons employed during the year were as follows:

	Group		Company	
	1997	1996	1997	1996
Drivers and conductors	738	720	-	-
Maintenance and engineers	94	90	-	-
Office and management	96	97	6	7
	928	907	6	7

24. PENSIONS

The Group operates three pension schemes, one of which is a defined benefit scheme and two are defined contribution schemes. The assets of all the schemes are held by trustees separately from those of the Group in independently administered funds.

On 6 April 1997 the three defined benefit schemes previously operated by the Group merged into one ; The Blazefield Holdings Pension Plan ("The Plan"). The contributions are determined by independent qualified actuaries on the basis of triennial valuations using the projected unit method.

The most recent actuarial valuation of the Plan was at 5 April 1996 when the market value of its assets was £8,696,000, which exceeded the value of benefits that had accrued to members, after allowing for expected future increases in earnings. The assumptions which had the most significant effect on the results of the valuation were those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.5% per annum, that salary increases would average 6.5% per annum and that present and future pensions would increase at the rate of 4% per annum.

The excess of pension cost charged to profit and loss over contributions paid in respect of the year ended 5 April 1994 is being spread over 12 years, the average expected remaining service lives of Plan members. The amount credited against Group pension charge for the year amounts to £28,000 (1996 : £29,000).

25. CONTROLLING SHAREHOLDER

The Company's controlling shareholder is Mr G R Fearnley.