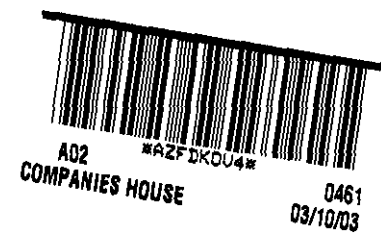


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EUROLINES (UK) LTD
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002

COMPANY NUMBER 1991069



EUROLINES (UK) LIMITED

DIRECTORS' REPORT

The Directors present their Report and Accounts for the year ended 31 December 2002.

Directors

P M White	
A Walker	(Appointed 5 March 2003)
J W G Engelsman	(Netherlands) (Resigned 31 July 2002)
J Gilbert	
J C Myers	
I Royle	(Resigned 3 January 2002)
R O'Toole	
W P Rollason	(Resigned 4 December 2002)
D Wormwell	(Appointed 7 January 2002)
N Williams	

Principal activities and review of business developments

The Company administers and markets express coach services to Europe.

The profit before tax was £1,098,000 (2001: £311,000). The Company expects to continue the operation of these services into the foreseeable future.

Results and dividends

The profit for the year attributable to ordinary shareholders amounted to £1,129,000 (2001: profit of £296,000).

A dividend of £2,250,000 was paid during the year (2001: £1,000,000). No further dividend is proposed.

Directors

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

EUROLINES (UK) LIMITED

DIRECTORS' REPORT

Directors' interests

Messrs. White, Myers and O'Toole are also Directors of National Express Group PLC, the ultimate holding company, and their interests are disclosed in the Annual Report of that company.

The interests of the other directors in the shares and options of National Express Group PLC at 31 December 2002 are as follows:

	No of ordinary shares		Number of share options						
	As at 31/12/02	As at 31/12/01	As at 31/12/01	During Year			As at 31/12/02	Date Granted	Exercise Price
				Granted	Exercised	Lapsed		Note	
J Gilbert	-	-	3453				3453	24/03/97	A 525p
			4047				4047	24/03/97	A 525p
			2261				2261	20/04/00	B 525p
			7739				7739	20/04/00	B 525p
			5000				5000	19/04/01	A 862.5p
				4572			4572	05/04/02	A 585p
				362			362	17/10/02	C 417p
C Myers	-	12500							
N Williams	-	-	3478				3478	19/04/01	A 862.5p
			4022				4022	19/04/01	A 862.5p
				6837			6837	05/07/02	A 585p
				453			453	17/10/02	C 417p
D Wormwell	-	-		5128			5128	05/07/02	B 585p
				16239			16239	05/07/02	A 585p

A Options granted under NEG Executive Share Option Scheme (Unapproved)

B Options granted under NEG Executive Share Option Scheme

C Options granted under NEG Sharesave Scheme

Details of each of the above share option schemes are given in the Annual Report and Accounts of National Express Group PLC for the year ended 31 December 2002.

Payment policy and practice

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

Trade creditor days of the Company for the year ended 31 December 2002 were 21 days, (2001: 14 days) based on a ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

EUROLINES (UK) LIMITED

DIRECTORS' REPORT

Employees

The Company recognises its responsibilities for the employment of disabled persons. Having regard to their aptitudes and abilities, the Company gives full and fair consideration to applications for employment from disabled persons.

So far as particular disabilities permit, it will give employees disabled during their period of employment continued employment in the same job, or if this is not practicable, a suitable alternative job wherever possible.

Equal opportunities for appropriate retraining, career development and promotion are available to all employees regardless of any physical disability or their sex, religion, colour or nationality.

Employee involvement

The Company is committed to involve all employees in the performance and development of the Company. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Company. Discussions take place regularly with the trade unions representing the Company's employees on a wide range of issues.

Auditors

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

EUROLINES (UK) LIMITED

DIRECTORS' REPORT

Statement of Directors' Responsibilities

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

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, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that these accounts comply with the above requirements.

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

By order of the Board



J Gilbert

Director

Date Approved by the Directors:

Registered Office:

Ensign Court

4 Vicarage Road

Edgbaston

Birmingham, B15 3ES

30th June 2003.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

EUROLINES (UK) LIMITED

We have audited the Company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

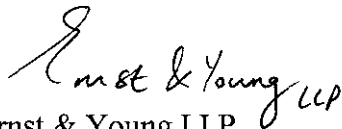
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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 financial statements.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
EUROLINES (UK) LIMITED**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP

Registered Auditor

London

Date 30/6/2003

EUROLINES (UK) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

		2002 £'000	2001* £'000
	<i>Note</i>		
Turnover – continuing operations	2	8,510	7,623
Operating costs	3	<u>(7,536)</u>	<u>(7,497)</u>
Operating profit – continuing operations		974	126
Interest Receivable	6	<u>124</u>	<u>185</u>
Profit on ordinary activities before taxation		1,098	311
Tax on profit on ordinary activities	7	<u>31</u>	<u>(15)</u>
Profit on Ordinary Activities after taxation		1,129	296
Dividend paid		(2,250)	(1,000)
Loss for the financial year	13	<u>(1,121)</u>	<u>(704)</u>

* Restated for changes in accounting policy for deferred tax (note 1).

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002 £'000	2001* £'000
Profit for the financial year	<u>1,129</u>	<u>296</u>
Total recognised gain and loss relating to the year	1,129	296
Prior year adjustment for deferred tax (note 1)	<u>47</u>	<u>-</u>
Total recognised gain and loss since the last annual report	<u>1,176</u>	<u>296</u>

* Restated for change in accounting policy for deferred tax (note 1).

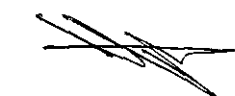
EUROLINES (UK) LIMITED

BALANCE SHEET

AT 31 DECEMBER 2002

		2002	2001*
		£'000	£'000
	<i>Note</i>		
Tangible assets	8	<u>30</u>	<u>29</u>
Current assets			
Debtors	9	1,840	2,199
Cash at bank and in hand		<u>2,119</u>	<u>2,716</u>
		3,959	4,915
Creditors: amounts falling due within one year	10	<u>(2,875)</u>	<u>(2,709)</u>
Net current assets		<u>1,084</u>	<u>2,206</u>
Total assets less current liabilities		1,114	2,235
Capital and reserves			
Called up Share Capital	12	100	100
Capital Reserve	13	(223)	(223)
Profit and loss account	13	<u>1,237</u>	<u>2,358</u>
Equity shareholders' funds	14	<u>1,114</u>	<u>2,235</u>

* Restated for change in accounting policy for deferred tax (note 1).



J Gilbert

Director

Date approved by the Directors:

30th Jun 2003

EUROLINES (UK) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 2002

1. Accounting policies

Change in accounting policy

Financial Reporting Standard (FRS) 19, "Deferred Tax" has been adopted with effect from 1 January 2002. The adjusted accounting policy is that deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Prior to 1 January 2002, deferred tax was provided using the liability method on all material timing differences to the extent that it was probable that the liability would crystallise.

The prior year comparatives have been restated to comply with FRS 19, resulting in a deferred tax asset of £47,000 at 31 December 2001 and an additional tax credit of £9,000 in the 2001 year. The company's profit for the current year has been reduced by £18,000 as a result of the change in accounting policy.

A summary of the accounting policies, which have been applied consistently, are set out below:

(a) Basis of preparation

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

(b) Turnover

Turnover includes figures for the last three months of the year for which the Joint Venture Accounts with other European Partners have not been totally finalised. For the year ended 31st December 2002 the subsequent finalisation of these Joint Venture Accounts has had no significant impact on the Turnover figure.

(c) Fixed assets and depreciation

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

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

Plant & equipment	3 – 7 years
Leasehold Improvements	Over the term of the lease

EUROLINES (UK) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

1. Accounting policies (continued)

(d) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Deferred tax is recognised in respect of all material timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse. Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

(e) Leases and hire purchase contracts

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

(f) Cash Flow Statement

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

(g) Pension Costs

Pension costs are recognised on a systematic basis so that the cost of providing retirement benefits to employees are evenly matched, so far as is possible, to the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension scheme is allocated over the average remaining service lives of current employees.

EUROLINES (UK) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

1. Accounting policies (continued)

(h) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. Any exchange differences arising are dealt with through the profit & loss account

(i) Debtors and creditors

Amounts owing to and from European Pool Partners have been classified as Trade Creditors.

2. Turnover

The turnover comprises revenue from road passenger transport and related activities. Revenue, all of which arises in the United Kingdom, is stated net of value added tax where applicable.

Turnover includes figures for the last three months of the year for which the Joint Venture Accounts with other European Partners have not been totally finalised. For the year ended 31st December 2002 the subsequent finalisation of these Joint Venture Accounts has had no significant impact on the Turnover figure.

3. Operating costs

	2002 £'000	2001 £'000
External charges	6,630	6,690
Auditors remuneration – audit services	12	12
Staff costs (Note 5)	785	687
Depreciation - Owned Assets	17	21
Operating lease charges – Land & Buildings	80	80
Operating lease charges – Other	12	7
	<u>7,536</u>	<u>7,497</u>

EUROLINES (UK) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

4. Directors' remuneration

The remuneration of the Directors' during the year comprised the following:

	2002 £'000	2001 £'000
Aggregate emoluments	<u>88</u>	<u>117</u>

Retirement benefits are accruing to 1 director (2001: 1 director) under defined benefit schemes operated on behalf of the Company. One Director is a member of the Group's Defined contribution scheme.

5. Staff costs

	2002 £'000	2001 £'000
Wages and salaries	699	612
Social security costs	46	55
Pension costs (Note 15)	<u>40</u>	<u>20</u>
	<u>785</u>	<u>687</u>

The average number of full time equivalent employees during the year, including Directors, was:

	Number	Number
Management and administration	28	31
Operational	<u>14</u>	<u>15</u>
	<u>42</u>	<u>46</u>

EUROLINES (UK) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

6. Interest Receivable

	2002 £'000	2001 £'000
Bank Interest	<u>124</u>	<u>185</u>

7. Taxation

(a) Analysis of taxation charge in the year

	2002 £'000	2001* £'000
Current Tax:		
UK Corporation tax	312	93
Adjustments in respect of previous years	<u>(361)</u>	<u>(69)</u>
Total current tax (note 7(b))	<u>(49)</u>	<u>24</u>
Deferred tax (note 11):		
Origination and reversal of timing differences	<u>18</u>	<u>(9)</u>
Tax on profit on ordinary activities	<u>(31)</u>	<u>15</u>

* Restated for change in accounting policy for deferred tax (note 1).

(b) Factors affecting the current tax charge for the year

	2002 £'000	2001* £'000
Profit on ordinary activities before taxation	<u>1,098</u>	<u>311</u>
Tax on ordinary activities at 30% (2001: 30%)	330	93
Adjustments in respect of previous years	(361)	(69)
Capital allowance in excess of depreciation	(7)	(5)
Effect of short-term timing differences	(11)	2
Permanent disallowable items	-	3
	<u>(49)</u>	<u>24</u>

* Restated for change in accounting policy for deferred tax (note 1).

EUROLINES (UK) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

8. Tangible assets

The owned tangible fixed assets at 31 December 2002 as shown in the balance sheet are analysed as follows:

	Leasehold Improvements £'000	Plant and Equipment £'000	Total £'000
Cost:			
At 1 January 2002	25	461	486
Additions	-	18	18
At 31 December 2002	<u>25</u>	<u>479</u>	<u>504</u>
Depreciation:			
At 1 January 2002	25	432	457
Charge for the year	-	17	17
As at 31 December 2002	<u>25</u>	<u>449</u>	<u>474</u>
Net Book Value:			
At 31 December 2002	-	30	30
At 31 December 2001	-	29	29

9. Debtors

	2002 £'000	2001* £'000
Trade debtors	517	593
Amounts due from group undertakings	1,132	1,111
Corporation tax recoverable	91	146
Deferred tax asset (note 11)	29	47
Other debtors	41	271
Prepayments and accrued income	30	31
	<u>1,840</u>	<u>2,199</u>

* Restated for change in accounting policy for deferred tax (note 1).

The deferred tax is recoverable after more than one year.

EUROLINES (UK) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

10. Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	2,270	2,279
Amounts due to group undertakings	66	249
Accruals and other creditors	539	181
	<u>2,875</u>	<u>2,709</u>

11. Deferred taxation

The major components of the deferred tax asset are as follows:

	2002 £'000	2001* £'000
Accelerated capital allowances	29	36
Other timing differences	-	11
	<u>29</u>	<u>47</u>

* Restated for change in accounting policy for deferred tax (note 1).

12. Share capital

	Authorised		Issued, called up and fully paid	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Ordinary shares of £1 each	<u>500</u>	<u>500</u>	<u>100</u>	<u>100</u>

EUROLINES (UK) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

13. Reserves

	Capital Reserve £'000	Profit & Loss Account £'000	Total £'000
At 1 January 2002	(223)	2,311	2,088
Prior year adjustment: Deferred tax	-	47	47
At 1 January 2002 (as restated)	(223)	2,358	2,135
Loss for the year		(1,121)	(1,121)
At 31 December 2002	(223)	1,237	1,014

14. Reconciliation of Shareholders' Funds

	2002 £'000	2001* £'000
Loss for the year	(1,121)	(704)
Opening shareholders' funds +	2,235	2,939
Closing shareholders' funds	1,114	2,235

* Restated for change in accounting policy for deferred tax (note 1).

+ Shareholders' funds at 1 January 2002 were originally £2,188,000 before the prior year adjustment of £47,000.

15. Retirement Benefits

The Company is a member of the National Express Group PLC Coaches multi-employer funded defined benefit scheme and is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis, and therefore has accounted for the scheme as if it were a defined contribution schemes for the disclosure required under FRS 17, "Retirement Benefits". Contributions to this scheme are determined by independent professionally qualified actuaries and the latest valuation of the scheme was carried out on 5 April 2001.

Details of this scheme and the underlying actuarial assumptions thereto can be found in the 2002 Annual Report of National Express Group PLC, the ultimate holding company (note 19).

The pension charge for the year amounted to £40,000 (2001 - £20,000).
Outstanding contributions at the year end amounted to Nil (2001 - Nil).

EUROLINES (UK) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

16. Contingent liabilities

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

17. Annual commitments under non – cancellable operating lease agreements

	Land & Buildings		Plant & Equipment	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Lease expiring:				
Within one year	41	41	1	1
Within two to five years	39	39	11	7
	<u>80</u>	<u>80</u>	<u>12</u>	<u>8</u>

18. Related party transactions

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

There were no other related party transactions during the year.

19. Ultimate parent and controlling company

The Company is a wholly owned subsidiary undertaking of National Express Holdings Limited, registered in England and Wales.

The Company's ultimate parent and controlling company and the only company in which the Company's results are consolidated is National Express Group PLC, registered in England and Wales.

The Group accounts are available to the public and may be obtained from:

The Secretary
National Express Group PLC
75 Davies Street
London
W1K 5HT