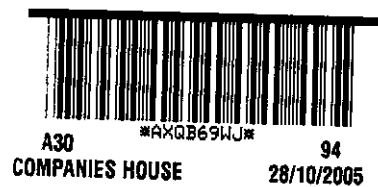


COMPANY REGISTRATION NUMBER 84167

**ARRIVA YORKSHIRE LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2004**



# **ARRIVA YORKSHIRE LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2004**

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# **ARRIVA YORKSHIRE LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **The Board of Directors**

P G Booker  
R A Bowler  
D Cocker  
P Cummins  
D G Johnstone  
S L Noble  
P M Stone  
D P Turner

### **Company Secretary**

E A Thorpe

### **Registered Office**

Admiral Way  
Doxford International Business Park  
Sunderland  
SR3 3XP

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants  
& Registered Auditors  
89 Sandyford Road  
Newcastle upon Tyne  
NE1 8HW

# ARRIVA YORKSHIRE LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2004

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The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

### Principal activities and business review

The principal activity of the company during the year was the operation of bus services in the North of England.

The Directors consider the state of the Company's affairs to be satisfactory and there have been no material changes since the balance sheet date.

### Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The Directors do not recommend the payment of a dividend (2003: £Nil).

### Directors

The directors who served the company during the year were as follows:

P G Booker	
R A Bowler	
D Cocker	
S L Noble	
P Cummins	(Appointed 15 May 2004)
D G Johnstone	(Appointed 6 October 2004)
P M Stone	(Appointed 1 March 2004)
D P Turner	(Appointed 6 October 2004)
K B Clarke	(Resigned 15 March 2004)
R R Roberts	(Resigned 5 March 2004)

None of the Directors had any interest in the share capital of the Company during the year.

The interests of R A Bowler in the ordinary share capital of Arriva plc are shown in the Directors' Report of the immediate parent company, Arriva Passenger Services Limited.

The interests of P G Booker, D Cocker, P Cummins and P M Stone in the ordinary share capital of Arriva plc are shown in the Directors' Report of Arriva Yorkshire North Limited, a fellow group company.

The interests of S L Noble and D G Johnstone in the ordinary share capital of Arriva plc are shown in the Directors' Report of Arriva Northumbria Limited, a fellow group company.

The interests of D P Turner in the ordinary share capital of Arriva plc are shown in the Directors' Report of Arriva International Limited, a fellow group company.

### Policy on the payment of creditors

The Company's policy regarding the payment of suppliers is to agree terms of payment at the start of business with each supplier to ensure that the supplier is made aware of the payment terms, and to pay in accordance with its contractual or legal obligations.

# ARRIVA YORKSHIRE LIMITED

## THE DIRECTORS' REPORT *(continued)*

**YEAR ENDED 31 DECEMBER 2004**

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### **Statement of directors' responsibilities**

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. The Directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

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 financial statements 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 Company and to prevent and detect fraud and other irregularities.

### **Disabled employees**

The Company continues to give full and fair consideration to applications for employment by disabled persons, having regard to their respective aptitudes and abilities. The Company's policy includes, where applicable, the continued employment of those who may become disabled during their employment.

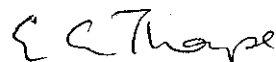
### **Employee involvement**

The Company has continued its policy of employee involvement, by making information available to employees and encouraging their participation in schemes which are related to the Company's progress and profitability.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to remain in office. An elective resolution has been passed to dispense with the obligation to appoint auditors annually.

Signed by order of the directors



E A Thorpe  
Company Secretary

3 March 2005

# ARRIVA YORKSHIRE LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIVA YORKSHIRE LIMITED

YEAR ENDED 31 DECEMBER 2004

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We have audited the financial statements which comprise the profit and loss account, the balance sheet and related notes.

### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

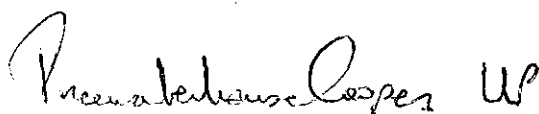
### Basis of audit opinion

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 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.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Newcastle upon Tyne

26 October 2005

# ARRIVA YORKSHIRE LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £000	2003 £000
Turnover	2	22,643	23,998
Cost of sales		(20,266)	(19,659)
Gross profit		2,377	4,339
Administrative expenses		(3,057)	(2,621)
Other operating income		71	69
Operating (loss)/profit	3	(609)	1,787
Interest payable and similar charges	6	(709)	(805)
(Loss)/profit on ordinary activities before taxation		(1,318)	982
Tax on (loss)/profit on ordinary activities	7	2,157	(51)
Retained profit for the financial year	18	839	931

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 7 to 14 form part of these financial statements.

# ARRIVA YORKSHIRE LIMITED

## BALANCE SHEET

31 DECEMBER 2004

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Intangible assets	8	1,402	202
Tangible assets	9	10,600	12,119
		<u>12,002</u>	<u>12,321</u>
<b>Current assets</b>			
Stocks	10	278	139
Debtors	11	38,592	38,274
Cash at bank		65	57
		<u>38,935</u>	<u>38,470</u>
<b>Creditors: Amounts falling due within one year</b>	13	40,876	38,924
<b>Net current liabilities</b>		<u>(1,941)</u>	<u>(454)</u>
<b>Total assets less current liabilities</b>		<u>10,061</u>	<u>11,867</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	3,000	3,764
		<u>7,061</u>	<u>8,103</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	12	—	1,881
<b>Net assets</b>		<u>7,061</u>	<u>6,222</u>
<b>Capital and reserves</b>			
Called-up equity share capital	17	1,311	1,311
Profit and loss account	18	5,750	4,911
<b>Equity shareholders' funds</b>	19	<u>7,061</u>	<u>6,222</u>

These financial statements were approved by the directors on 2 March 2005 and are signed on their behalf by:



R A Bowler  
Director

The notes on pages 7 to 14 form part of these financial statements.



# ARRIVA YORKSHIRE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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### 1. Accounting policies

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, using the accounting policies set out below and in accordance with applicable accounting standards.

#### Cash flow statement

The Company is a wholly owned subsidiary and the ultimate parent company has prepared a group cashflow statement. Accordingly, under Financial Reporting Standards No. 1 (Revised), the Company is exempt from preparing a cash flow statement.

#### Turnover

Turnover consists of the gross revenue for road passenger transport together with the aggregate amounts receivable for other goods and services supplied in the ordinary course of the business, excluding Value Added Tax.

#### Goodwill

For acquisitions after 1 January 1998, goodwill, which represents the excess of cost of acquisitions of businesses over the value attributed to their net assets, is amortised through the profit and loss account by equal annual instalments over its estimated useful economic life up to a maximum of 20 years. Goodwill previously eliminated against reserves has not been reinstated and will only be charged to the profit and loss account on the subsequent disposal of any business to which it related.

#### Other intangible assets

Other intangible assets, which relate to licences for the use of the Arriva brand name, are being amortised through the profit and loss account over the licence period of 15 years.

#### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	- 2% per annum on cost or valuation
Plant, machinery, fixtures & motor vehicles	- 10% to 48% per annum on cost
Public service vehicles	- Over periods up to 15 years

#### Stocks

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

#### Leasing and hire purchase commitments

Where assets are financed by leasing agreements ('finance leases') the assets are included in the balance sheet at cost less depreciation in accordance with the Company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

# ARRIVA YORKSHIRE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

### 1. Accounting policies *(continued)*

#### Pension costs

Arriva plc operates retirement benefit schemes, both defined benefit and defined contribution schemes, which cover employees of the Company. Contributions made to the defined benefit scheme are based on the cost of providing pensions across all participating group companies. Costs are not determined for each individual company. Contributions payable by the Company are charged to the profit and loss account in the period in which they fall due. Contributions payable under the defined contribution scheme are charged to the profit and loss account as they arise.

#### Deferred taxation

The Group accounting policy is to provide for deferred tax on all timing differences except those arising from the revaluation of fixed assets for which there is no binding agreement to sell or on the undistributed profits of overseas subsidiaries. Deferred tax is calculated at the rates at which it is estimated the tax will arise. The deferred tax provision is not discounted to net present value.

### 2. Turnover

The turnover was derived from the Company's principal activity which was carried out wholly in the United Kingdom.

### 3. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2004	2003
	£000	£000
Amortisation of intangible fixed assets	100	13
Depreciation of owned fixed assets	320	583
Depreciation of assets held under hire purchase and finance lease agreements	1,374	995
Loss/(Profit) on disposal of fixed assets	2	(2)
Auditors' remuneration		
- as auditors	26	30
- for other services	2	-
Operating lease costs:		
Land and buildings	7	7

### 4. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2004	2003
	No	No
Drivers	576	587
Engineering	94	94
Administrative	88	93
	<u>758</u>	<u>774</u>

The aggregate payroll costs of the above were:

	2004	2003
	£000	£000
Wages and salaries	13,409	13,134
Social security costs	1,018	929
Other pension costs	780	791
	<u>15,207</u>	<u>14,854</u>

# ARRIVA YORKSHIRE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2004

#### 5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2004	2003
	£000	£000
Emoluments receivable	<u>280</u>	<u>256</u>

#### Emoluments of highest paid director:

	2004	2003
	£000	£000
Total emoluments (excluding pension contributions)	<u>76</u>	<u>67</u>

Benefits are accruing under a defined benefits pension scheme and, at the year end the accrued pension amounted to £5,000 (2003 - £3,000).

The number of directors who accrued benefits under company pension schemes was as follows:

	2004	2003
	No	No
Defined benefit schemes	<u>4</u>	<u>4</u>

#### 6. Interest payable and similar charges

	2004	2003
	£000	£000
Bank interest payable	393	495
Hire purchase and finance lease charges	<u>316</u>	<u>310</u>
	<u>709</u>	<u>805</u>

#### 7. Tax on (loss)/profit on ordinary activities

##### (a) Analysis of charge in the year

	2004	2003
	£000	£000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	(247)	181
<b>Total current tax</b>	<u>(247)</u>	<u>181</u>
Deferred tax:		
Current year	(802)	(4)
Prior year	<u>(1,108)</u>	<u>(126)</u>
<b>Total deferred tax (note 12)</b>	<u>(1,910)</u>	<u>(130)</u>
<b>Tax on (loss)/profit on ordinary activities</b>	<u>(2,157)</u>	<u>51</u>

# ARRIVA YORKSHIRE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2004

#### 7. Tax on (loss)/profit on ordinary activities *(continued)*

##### (b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher (2003: lower) than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £000	2003 £000
(Loss)/profit on ordinary activities before taxation	(1,318)	982
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(395)	295
Difference between tax written down value and net book value of assets sold and re-acquired	(775)	-
Depreciation in respect of ineligible assets	18	18
Difference between capital allowances and depreciation	802	59
Adjustment to tax charge in respect of prior periods	99	(140)
Short term timing difference	-	(55)
Non-allowable goodwill amortisation	4	4
<b>Total current tax (note 7(a))</b>	<b>(247)</b>	<b>181</b>

##### (c) Factors that may affect future tax charges

There are no factors which are expected to materially affect future tax charges.

#### 8. Intangible fixed assets

	Goodwill £000	Other intangible assets £000	Total £000
<b>Cost</b>			
At 1 January 2004	259	-	259
Additions	-	1,300	1,300
<b>At 31 December 2004</b>	<b>259</b>	<b>1,300</b>	<b>1,559</b>
<b>Amortisation</b>			
At 1 January 2004	57	-	57
Charge for the year	13	87	100
<b>At 31 December 2004</b>	<b>70</b>	<b>87</b>	<b>157</b>
<b>Net book value</b>			
At 31 December 2004	189	1,213	1,402
At 31 December 2003	202	-	202

# ARRIVA YORKSHIRE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

### 9. Tangible fixed assets

	Freehold Property £000	Plant, machinery, fixtures & motor vehicles £000	Public service vehicles £000	Total £000
<b>Cost</b>				
At 1 January 2004	1,266	1,987	22,436	25,689
Additions	7	94	565	666
Disposals	-	(9)	(2,504)	(2,513)
Transfers from other group companies	-	-	1,808	1,808
<b>At 31 December 2004</b>	<b>1,273</b>	<b>2,072</b>	<b>22,305</b>	<b>25,650</b>
<b>Depreciation</b>				
At 1 January 2004	114	1,556	11,900	13,570
Charge for the year	64	139	1,491	1,694
On disposals	-	(6)	(1,306)	(1,312)
Transfers from other group companies	-	-	1,098	1,098
<b>At 31 December 2004</b>	<b>178</b>	<b>1,689</b>	<b>13,183</b>	<b>15,050</b>
<b>Net book value</b>				
<b>At 31 December 2004</b>	<b>1,095</b>	<b>383</b>	<b>9,122</b>	<b>10,600</b>
At 31 December 2003	1,152	431	10,536	12,119

#### Hire purchase and finance lease agreements

Included within the net book value of £10,600,000 is £8,832,000 (2003 - £9,544,000) relating to assets held under hire purchase and finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £1,374,000 (2003 - £995,000).

### 10. Stocks

	2004 £000	2003 £000
Raw materials	278	139

### 11. Debtors

	2004 £000	2003 £000
Trade debtors	204	187
Amounts owed by group undertakings	36,930	36,545
Other debtors	637	224
Prepayments and accrued income	792	1,318
Deferred tax (note 12)	29	-
	<b>38,592</b>	<b>38,274</b>

### 12. Deferred tax

The deferred tax included in the Balance sheet is as follows:

	2004 £000	2003 £000
Included in debtors (note 11)	29	-

# ARRIVA YORKSHIRE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2004

#### 12. Deferred tax (continued)

The movement in deferred tax during the year was:

	2004	2003
	£000	£000
Balance brought forward	(1,881)	(2,011)
Profit and loss account movement arising during the year	1,910	130
Balance carried forward	<u>29</u>	<u>(1,881)</u>

The deferred tax balance consists of the tax effect of timing differences in respect of:

	2004	2003
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	(55)	(1,899)
Other short term timing differences	84	18
	<u>29</u>	<u>(1,881)</u>

At 31 December 2004 the Company had recognised a deferred tax asset of £29,000 (2003: £Nil) arising in respect of the excess of depreciation on fixed assets over taxation allowances and short term timing differences. The amount is disclosed within debtors and it is expected that the deferred tax asset will be recoverable.

#### 13. Creditors: Amounts falling due within one year

	2004	2003
	£000	£000
Bank loans and overdrafts	8,937	6,936
Trade creditors	591	413
Amounts owed to group undertakings	24,793	21,304
Corporation tax	160	3,089
Other taxation and social security	624	471
Hire purchase and finance lease agreements	1,712	2,433
Other creditors	466	432
Accruals and deferred income	3,593	3,846
	<u>40,876</u>	<u>38,924</u>

The Company and other group undertakings are party to bank facilities under which members of Arriva plc group have given cross guarantees with regards to the borrowings of each other.

#### 14. Creditors: Amounts falling due after more than one year

	2004	2003
	£000	£000
Hire purchase and finance lease agreements	<u>3,000</u>	<u>3,764</u>

#### 15. Commitments under hire purchase and finance lease agreements

Future commitments under hire purchase and finance lease agreements are as follows:

	2004	2003
	£000	£000
Amounts payable within 1 year	1,712	2,433
Amounts payable between 1 and 2 years	1,153	1,497
Amounts payable between 2 and 5 years	1,847	2,267
	<u>4,712</u>	<u>6,197</u>

Hire purchase and finance lease balances are secured by charges over the related assets.

# ARRIVA YORKSHIRE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2004

#### 16. Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings	
	2004	2003
	£000	£000
Operating leases which expire:		
Within 2 to 5 years	<u>7</u>	<u>5</u>

#### 17. Share capital

##### Authorised share capital:

	2004	2003
	£	£
1,429,678 Ordinary shares of £1 each	<u>1,429,678</u>	<u>1,429,678</u>

##### Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>1,310,753</u>	<u>1,310,753</u>	<u>1,310,753</u>	<u>1,310,753</u>

#### 18. Reserves

	Profit and loss account
	£000
Balance brought forward	4,911
Retained profit for the financial year	839
Balance carried forward	<u>5,750</u>

#### 19. Reconciliation of movements in equity shareholders' funds

	2004	2003
	£000	£000
Profit for the financial year	839	931
Opening equity shareholders' funds	<u>6,222</u>	<u>5,291</u>
Closing equity shareholders' funds	<u>7,061</u>	<u>6,222</u>

# ARRIVA YORKSHIRE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2004

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#### 20. Pension commitments

##### Pensions

At 31 December 2004 the ultimate parent company, Arriva plc, operated a defined benefit scheme providing benefits to certain employees within Arriva Yorkshire Limited. The scheme is financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

Contributions to the defined benefit scheme, the Arriva Yorkshire Pension Scheme, are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 5 April 2003, using the Projected Unit Method. The principal actuarial assumptions were that:

(i) the annual rate of return on investment would be 2.75 per cent higher than the annual increase in total pensionable remuneration of 3.75 per cent; and (ii) there would be no variation from a scheme's rules to pensions in payment.

On the basis of these assumptions the actuarial value of the funds at 5 April 2003 was sufficient to cover 87 per cent of the benefits then accrued to members. The market value of the scheme's assets at 5 April 2003 was £20.3 million.

The pensions cost charge for the year represents contributions payable by the Company to the Scheme and amounts to £780,000 (2003: £791,000).

##### FRS 17 'Retirement Benefits'

The Company makes contributions to a defined benefit fund, the Arriva Yorkshire Pension scheme which is operated by the ultimate parent company, Arriva plc. Other companies within the Arriva Group make contributions to the scheme, therefore it is not possible for the Company to identify its share of the underlying assets and liabilities as at 31 December 2004.

#### 21. Ultimate parent company

The ultimate parent company and ultimate controlling party is Arriva plc, a company registered in England and Wales, and which has prepared group accounts incorporating the results of Arriva Yorkshire Limited. Copies of these accounts can be obtained from Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP.

Transactions with other companies in the Arriva Group are not specifically disclosed as the Company has taken advantage of the exemption available under FRS 8 'Related Party Disclosures' for wholly-owned subsidiaries.