

ARRIVA TEESSIDE LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2000



Company No. 803241

ARRIVA TEESSIDE LIMITED

COMPANY INFORMATION

Directors

S P Lonsdale
J A Ray
D R Martin
S J Clayton
S J Burd
R A Bowler

Secretary

D P Turner

Company number

803241

Registered office

Admiral Way
Doxford International Business Park
Sunderland
SR3 3XP

Auditors

PricewaterhouseCoopers
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

ARRIVA TEESSIDE LIMITED

CONTENTS

	Page
Directors' report	1 to 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 to 12

ARRIVA TEESSIDE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2000

The Directors present their report and the audited financial statements for the Company for the year ended 31st December 2000.

Principal activities and review of business

The Company's principal activity continues to be the operation of bus and coach services.

Results and dividends

The results for the year are set out in the profit and loss account on page 4. The Directors do not recommend the payment of a dividend (1999: £Nil).

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.

Directors

The Directors who held office during the year were:

S P Lonsdale

J A Ray

D R Martin

S J Clayton

S J Burd

R A Bowler

(Appointed 27th July 2000)

Directors' interests

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

S P Lonsdale, J A Ray, D R Martin and S J Clayton are also Directors of the ultimate parent company, ARRIVA plc, and their interests in the share capital of that company are disclosed in its Directors' Report.

The interests of S J Burd in the ordinary share capital of ARRIVA plc are shown in the Directors' Report of the immediate parent company, ARRIVA North East Limited. The interests of R A Bowler in the ordinary share capital of ARRIVA plc are shown in the Directors' Report of the intermediate parent company, ARRIVA Passenger Services Limited.

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. 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.

ARRIVA TEESSIDE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2000

Policy regarding payment of suppliers

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.

Statement of Directors' responsibilities

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

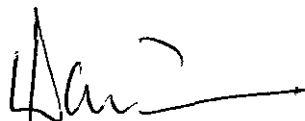
The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31st December 2000 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements 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.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office. The Company has elected to dispense with the requirement to appoint auditors annually.

By order of the Board



D P Turner, Secretary
20th March 2001

AUDITORS' REPORT TO THE MEMBERS OF ARRIVA TEESSIDE LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

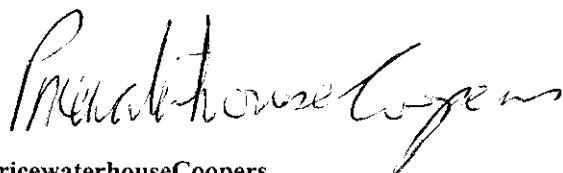
Basis of audit opinion

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 the 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 at 31st December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
12th October 2001

ARRIVA TEESSIDE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	5,999	5,883
Cost of sales		(4,662)	(4,636)
Gross profit		1,337	1,247
Administrative expenses		(572)	(557)
Other operating income		52	35
Operating profit	3	817	725
Interest receivable and similar income	4	82	-
Interest payable and similar charges	5	(202)	(146)
Profit on ordinary activities before taxation		697	579
Tax on profit on ordinary activities	7	(77)	(17)
Profit for the financial year	16	620	562

All amounts relate to continuing activities.

The Company has no recognised gains and losses other than those included in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented.

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

ARRIVA TEESSIDE LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2000

	Notes	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Fixed assets					
Tangible assets	8		5,287		4,890
Current assets					
Stocks	9	11		42	
Debtors	10	174		175	
Cash at bank and in hand		55,842		26,434	
		56,027		26,651	
Creditors: amounts falling due within one year	11	(1,589)		(25,415)	
Net current assets			54,438		1,236
Total assets less current liabilities			59,725		6,126
Creditors: amounts falling due after more than one year	12		(55,326)		(2,347)
			4,399		3,779
Capital and reserves					
Called up equity share capital	15		5		5
Profit and loss account	16		4,394		3,774
Equity shareholders' funds	17		4,399		3,779

The financial statements on pages 4 to 12 were approved by the Board on 20th March 2001 and signed on its behalf by:



S P Lonsdale
Director

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

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 cash flow statement. Accordingly, under FRS 1, 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 business, excluding VAT.

Depreciation

Depreciation is calculated to write off cost or valuation of tangible fixed assets on the following bases:

Freehold properties	2% per annum on cost or valuation
Plant and machinery	10% to 20% per annum on cost
Fixtures, fittings and equipment	10% to 20% per annum on cost
Other motor vehicles	24% 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.

Deferred taxation

Provision is made on a liability basis for tax deferred by timing differences to the extent that there is a reasonable probability that the tax deferral will crystallise in the foreseeable future.

Pensions

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.

Hire purchase and leased assets

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.

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

2 Turnover

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

3 Operating profit

The operating profit is stated after charging or (crediting):

	2000 £'000	1999 £'000
Depreciation of tangible fixed assets:		
-owned assets	92	224
-assets held under finance leases and hire purchase	413	232
Profit on disposal of fixed assets	(5)	-
Operating leases:		
-plant and equipment	8	12
-land and buildings	73	82
Auditors' remuneration	3	3

4 Interest receivable and similar income

	2000 £'000	1999 £'000
Bank interest receivable	82	-

5 Interest payable and similar charges

	2000 £'000	1999 £'000
Finance leases and hire purchase contracts	202	146

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

6 Directors and employees

Staff costs were as follows:

	2000 £'000	1999 £'000
Wages and salaries	2,623	2,624
Social security costs	152	192
Pension costs	42	59
	<u>2,817</u>	<u>2,875</u>

The average number of employees during the year was as follows:

	2000 Number	1999 Number
Drivers	159	161
Engineers	23	24
Administration	10	8
	<u>192</u>	<u>193</u>

Directors' emoluments

	2000 £'000	1999 £'000
Aggregate emoluments	-	-

7 Taxation

	2000 £'000	1999 £'000
Based on the profit for the year:		
UK corporation tax at 30% (1999: 30.25%)	76	21
	<u>76</u>	<u>21</u>
Prior periods:		
UK corporation tax	1	(4)
	<u>77</u>	<u>17</u>

The effective rate of taxation is less than the standard rate of 30% principally as a result of the excess of capital allowances over depreciation in the bus fleet.

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

8 Tangible fixed assets

	Freehold land and buildings	Plant, machinery, fixtures and motor vehicles	Public service vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1st January 2000	-	385	6,628	7,013
Additions	49	33	910	992
Disposals	-	(35)	(133)	(168)
Intra-group transfers	-	-	(511)	(511)
At 31st December 2000	49	383	6,894	7,326
Depreciation				
At 1st January 2000	-	202	1,921	2,123
Charge for the year	-	35	470	505
Disposals	-	(35)	(133)	(168)
Intra-group transfers	-	-	(421)	(421)
At 31st December 2000	-	202	1,837	2,039
Net book value				
At 31st December 2000	49	181	5,057	5,287
At 31st December 1999	-	183	4,707	4,890

Assets held under finance leases and hire purchase have a net book value of £4,957,000 (1999: £3,061,000).
Depreciation charged for the year was £413,000 (1999: £232,000).

9 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	11	42

10 Debtors

	2000 £'000	1999 £'000
Trade debtors	19	48
Other debtors	67	1
Prepayments and accrued income	88	126
	174	175

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

11	Creditors: amounts falling due within one year	2000 £'000	1999 £'000
	Payments received on account	21	-
	Amounts owed to group undertakings	-	24,370
	Other creditors	76	93
	Accruals and deferred income	100	139
	Corporation tax	59	42
	Other taxes and social security	65	55
	Obligations under hire purchase and finance lease (Note 13)	1,268	716
		<u>1,589</u>	<u>25,415</u>

The Company is party to an unlimited multi-lateral guarantee involving the bank borrowings of ARRIVA plc and other group undertakings.

12	Creditors: amounts falling due after more than one year	2000 £'000	1999 £'000
	Amounts owed to group undertakings	51,490	-
	Accruals and deferred income	181	159
	Obligations under hire purchase and finance lease (Note 13)	3,655	2,188
		<u>55,326</u>	<u>2,347</u>

13	Obligations under hire purchase and finance leases	2000 £'000	1999 £'000
	Obligations under hire purchase contracts and finance leases are analysed between amounts payable:		
	In the next year	1,268	716
	In the second to fifth years inclusive	3,655	2,188
		<u>4,923</u>	<u>2,904</u>

14 Deferred taxation

The potential liability to deferred taxation not provided in the accounts calculated at the rate of tax in force at the year end is as follows:

	Amount unprovided	
	2000 £'000	1999 £'000
Accelerated capital allowances	<u>706</u>	<u>577</u>

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

15	Called up share capital	2000	1999
		£'000	£'000
	Authorised		
	Equity shares		
	5,000 Ordinary shares of £1 each	5	5
		<hr/>	<hr/>
	Allotted and fully paid		
	Equity shares		
	5,000 Allotted, called up and fully paid ordinary shares of £1 each	5	5
		<hr/>	<hr/>
16	Reserves		
			Profit
			and loss
			account
			£'000
	At 1st January 2000		3,774
	Profit for the year		620
			<hr/>
	At 31st December 2000		4,394
			<hr/>
17	Reconciliation of movement in equity shareholders' funds	2000	1999
		£'000	£'000
	Profit for the financial year	620	562
		<hr/>	<hr/>
	Increase in equity shareholders' funds	620	562
	Opening equity shareholders' funds	3,779	3,217
		<hr/>	<hr/>
	Closing equity shareholders' funds	4,399	3,779
		<hr/>	<hr/>
18	Capital commitments		
	The company had the following capital commitments:		
		2000	1999
		£'000	£'000
	Contracted for but not provided in the financial statements	63	-
		<hr/>	<hr/>

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

19 Operating lease commitments

At 31st December 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings
	2000
	£'000
Operating leases which expire:	
Between two and five years	10
After five years	16
	<hr/>
	26
	<hr/>

20 Pension scheme

At 31 December 2000 the ultimate parent company, ARRIVA plc, operated both defined benefit and defined contribution retirement benefit schemes providing benefits to certain employees within ARRIVA Teesside Limited. The schemes are financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

Contributions to the defined benefit fund, the ARRIVA North East Limited Retirement Benefits Plan, are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 5th April 2000, using the Projected Unit Method. The principal actuarial assumptions were that:

- (i) the annual rate of return on investment would be 2.5 per cent higher than the annual increase in total pensionable remuneration;
- (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 5th April 2000 was sufficient to cover 108 per cent of the benefits then accrued to members. The market value of the scheme's assets at 5th April 2000 was £3.9 million.

The pensions cost charge for the year represents contributions payable by the Company to both schemes and amount to £42,000 (1999: £59,000).

21 Ultimate parent company

The ultimate parent company and ultimate controlling party is ARRIVA plc, a company which is registered in England and Wales, and which has prepared group accounts incorporating the results of ARRIVA Teesside 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.