

ARRIVA TEESSIDE LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2002

Company Registration Number 803241



ARRIVA TEESSIDE LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

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ARRIVA TEESSIDE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

R A Bowler
J Greaves
S L Noble

Company Secretary

D P Turner

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
NE99 1PL

ARRIVA TEESSIDE LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2002

The Directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2002.

Principal activities and business review

The principal activity of the company during the year was the operation of bus and coach services.

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.

Directors

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

R A Bowler	
J Greaves	(Appointed 1 May 2002)
S L Noble	(Appointed 1 May 2002)
J A Ray	(Resigned 1 May 2002)
D R Martin	(Resigned 7 May 2002)
S J Clayton	(Resigned 1 May 2002)
S P Lonsdale	(Resigned 1 May 2002)

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 intermediate parent company, Arriva Passenger Services Limited.

The interests of S L Noble and J Greaves in the ordinary share capital of Arriva plc are shown in the Directors' Report of Arriva Northumbria Limited, a fellow subsidiary company.

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 confirm that suitable accounting policies have been used and applied consistently, with the exception of the changes arising due to a change of accounting policy in relation to deferred taxation as explained under note 1 'accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 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.

ARRIVA TEESSIDE LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2002

Auditors

Following the conversion of the Company's auditor PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 23 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. An elective resolution has been passed to dispense with the obligation to appoint auditors annually.

Signed by order of the Directors

A handwritten signature in black ink, appearing to be 'D P Turner', written over a horizontal line.

D P Turner
Company Secretary

5 March 2003

ARRIVA TEESSIDE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIVA TEESSIDE LIMITED

YEAR ENDED 31 DECEMBER 2002

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and related notes which have been prepared under the historical cost convention and the accounting policies set out in the notes to the accounts.

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.

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. The other information comprises only the Directors' report.

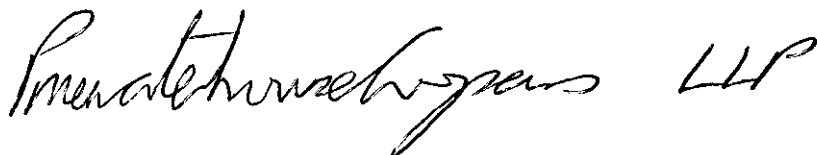
Basis of audit opinion

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 2002 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
23 September 2003

ARRIVA TEESSIDE LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2002

	Note	2002 £000	2001 (restated) £000
Turnover	2	6,305	6,239
Cost of sales		(4,917)	(4,855)
Gross profit		1,388	1,384
Administrative expenses		(663)	(582)
Other operating income		42	49
Operating profit	3	767	851
Interest receivable		—	135
Interest payable and similar charges	5	(155)	(232)
Profit on ordinary activities before taxation		612	754
Tax on profit on ordinary activities	6	(117)	(174)
Retained profit for the financial year	17	495	580

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

The notes on pages 8 to 14 form part of these financial statements.

ARRIVA TEESSIDE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2002

	2002	2001 (restated)
	£000	£000
Profit for the financial year attributable to the shareholders	495	580
Total recognised gains and losses relating to the year	495	580
Prior year adjustment (see note 7)	(709)	
Total gains and losses recognised since the last annual report	(214)	

The notes on pages 8 to 14 form part of these financial statements.

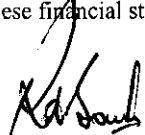
ARRIVA TEESSIDE LIMITED

BALANCE SHEET

31 DECEMBER 2002

	Note	2002 £000	2001 (restated) £000
Fixed assets			
Tangible assets	8	4,382	4,578
Current assets			
Stocks	9	14	11
Debtors	10	163	386
Cash at bank		109,816	82,621
		109,993	83,018
Creditors: Amounts falling due within one year	11	108,092	80,564
Net current assets		1,901	2,454
Total assets less current liabilities		6,283	7,032
Creditors: Amounts falling due after more than one year	12	814	2,050
		5,469	4,982
Provisions for liabilities and charges			
Deferred taxation	15	701	709
		4,768	4,273
Capital and reserves			
Called-up equity share capital	16	5	5
Profit and loss account	17	4,763	4,268
Equity shareholders' funds	18	4,768	4,273

These financial statements were approved by the Directors on the 5 March 2003 and are signed on their behalf by:


R A Bowler
Director

The notes on pages 8 to 14 form part of these financial statements.

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

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 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 the business, excluding VAT.

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 period 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.

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

FRS 19 'Deferred Tax' has now been adopted. Previously, provision was made on a liability basis for tax deferred by timing differences to the extent that there was a reasonable probability that the tax deferral would crystallise in the foreseeable future. The new 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. Deferred tax is not discounted to net present value.

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

2. Turnover

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

3. Operating profit

Operating profit is stated after charging/(crediting):

	2002 £000	2001 £000
Depreciation of owned fixed assets	93	61
Depreciation of assets held under hire purchase agreements	457	471
Profit on disposal of fixed assets	(3)	—
Auditors' remuneration		
- as auditors	3	3
Operating lease costs:		
Land and buildings	87	79
Plant and equipment	8	7

4. Particulars of employees

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

	2002 No	2001 No
Drivers	163	161
Engineering	21	20
Administrative	15	19
	199	200

The aggregate payroll costs of the above were:

	2002 £000	2001 £000
Wages and salaries	2,904	2,772
Social security costs	220	221
Other pension costs (note 14)	60	57
	3,184	3,050

5. Interest payable and similar charges

	2002 £000	2001 £000
Hire purchase and finance lease charges	150	232
Other similar charges	5	—
	155	232

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

6. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2002	2001 (restated)
	£000	£000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2001 - 30%)	125	171
Total current tax	125	171
Deferred tax:		
(Decrease)/increase in deferred tax provision	(8)	3
Tax on profit on ordinary activities	117	174

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2001 - 30%).

	2002	2001 (restated)
	£000	£000
Profit on ordinary activities before taxation	612	754
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	184	226
Depreciation in respect of ineligible assets	2	-
Capital allowances in excess of depreciation - eligible assets	(10)	(23)
(Profit)/Loss on disposal of qualifying assets	(1)	-
Adjustment to tax charge in respect of prior periods	(50)	(32)
Total current tax (note 6(a))	125	171

(c) Factors that may affect future tax charges

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

7. Prior year adjustment

As disclosed in the accounting policies FRS 19 'Deferred Tax' has now been adopted. The impact of this change in accounting policy on the taxation charge for the year ended 31 December 2001 is an increase in the tax charge of £3,000 to £174,000.

The impact of this change in accounting policy on the balance sheet as at 31 December 2001 is to increase the provision for deferred tax by £709,000.

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

8. Tangible fixed assets

	Freehold Property £000	Plant & Machinery £000	Equipment £000	Total £000
Cost				
At 1 January 2002	52	446	6,749	7,247
Additions	13	—	20	33
Disposals	—	(34)	(88)	(122)
Transfers	—	25	616	641
At 31 December 2002	65	437	7,297	7,799
Depreciation				
At 1 January 2002	5	247	2,417	2,669
Charge for the year	6	46	498	550
On disposals	—	(34)	(88)	(122)
Transfer	—	23	297	320
At 31 December 2002	11	282	3,124	3,417
Net book value				
At 31 December 2002	54	155	4,173	4,382
At 31 December 2001	47	199	4,332	4,578

Hire purchase agreements

Included within the net book value of £4,382,000 is £3,874,000 (2001 - £4,206,000) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £457,000 (2001 - £471,000).

9. Stocks

	2002 £000	2001 £000
Raw materials	14	11

10. Debtors

	2002 £000	2001 £000
Trade debtors	37	24
Amounts owed by group undertakings	—	252
Other debtors	8	8
Prepayments and accrued income	118	102
	163	386

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

11. Creditors: Amounts falling due within one year

	2002	2001
	£000	£000
Payments received on account	18	17
Amounts owed to group undertakings	106,269	78,934
Corporation tax	353	228
Other taxation and social security	66	61
Hire purchase agreements	848	1,133
Other creditors	145	108
Accruals and deferred income	393	83
	<u>108,092</u>	<u>80,564</u>

12. Creditors: Amounts falling due after more than one year

	2002	2001
	£000	£000
Hire purchase agreements	814	1,769
Accruals and deferred income	—	281
	<u>814</u>	<u>2,050</u>

13. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2002	2001
	£000	£000
Amounts payable within 1 year	848	1,133
Amounts payable between 2 to 5 years	814	1,769
	<u>1,662</u>	<u>2,902</u>

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

14. Pensions

At 31 December 2002 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 was £3.9 million.

The pensions cost charge for the year represents contributions payable by the Company to both schemes and amount to £60,000 (2001: £57,000).

FRS 17 'Retirement Benefits'

The Company makes contributions to a defined benefit fund, the Arriva North East Limited Retirement Benefits Plan 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 2002.

15. Deferred taxation

	2002	2001 (restated)
	£000	£000
The movement in the deferred taxation provision during the year was:		
Provision brought forward	709	706
Profit and loss account movement arising during the year	(8)	3
Provision carried forward	<u>701</u>	<u>709</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2002	2001 (restated)
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	<u>701</u>	<u>709</u>

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

16. Share capital

Authorised share capital:

	2002	2001
	£000	£000
5,000 Ordinary shares of £1 each	5	5

Allotted, called up and fully paid:

	2002		2001	
	No	£000	No	£000
Ordinary shares of £1 each	5,000	5	5,000	5

17. Reserves

	Profit and loss account (restated)
	£000
Balance brought forward	4,977
Prior year adjustment (note 7)	(709)
Restated balance brought forward	4,268
Retained profit for the year	495
Balance carried forward	4,763

18. Reconciliation of equity shareholders' funds

	2002	2001 (restated)
	£000	£000
Profit for the financial year	495	580
Opening equity shareholders' funds	4,982	3,693
Prior year adjustment (see note 7)	(709)	—
	4,273	3,693
Closing equity shareholders' funds	4,768	4,273

19. 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 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.