

COMPANY REGISTRATION NUMBER 803241

ARRIVA TEESSIDE LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2004



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ARRIVA TEESSIDE LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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ARRIVA TEESSIDE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

R A Bowler
J Greaves
S L Noble
D G Johnstone
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 TEESSIDE LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2004

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 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.

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:

R A Bowler	
J Greaves	
S L Noble	
D G Johnstone	(Appointed 6 October 2004)
D P Turner	(Appointed 6 October 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 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.

The interests of D G Johnstone, 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 group 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 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.

ARRIVA TEESSIDE LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

Auditors

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

Signed by order of the directors



E A Thorpe
Company Secretary

3 March 2005

ARRIVA TEESSIDE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIVA TEESSIDE LIMITED

YEAR ENDED 31 DECEMBER 2004

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 TEESSIDE LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £000	2003 £000
Turnover	2	6,748	6,652
Cost of sales		(5,126)	(5,241)
Gross profit		<u>1,622</u>	<u>1,411</u>
Administrative expenses		(717)	(695)
Other operating income		32	36
Operating profit	3	<u>937</u>	<u>752</u>
Interest payable and similar charges	5	(74)	(102)
Profit on ordinary activities before taxation		<u>863</u>	<u>650</u>
Tax on profit on ordinary activities	6	(145)	(49)
Retained profit for the financial year		<u><u>718</u></u>	<u><u>601</u></u>

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

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

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.

The notes on pages 7 to 13 form part of these financial statements.

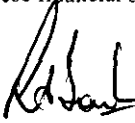
ARRIVA TEESSIDE LIMITED

BALANCE SHEET

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £000	2003 £000
Fixed assets			
Intangible assets	7	373	—
Tangible assets	8	3,287	3,825
		<u>3,660</u>	<u>3,825</u>
Current assets			
Stocks	9	11	15
Debtors	10	197	168
Cash at bank		167,834	138,517
		<u>168,042</u>	<u>138,700</u>
Creditors: Amounts falling due within one year	11	<u>164,703</u>	<u>135,857</u>
Net current assets		<u>3,339</u>	<u>2,843</u>
Total assets less current liabilities		<u>6,999</u>	<u>6,668</u>
Creditors: Amounts falling due after more than one year	12	<u>500</u>	<u>720</u>
		<u>6,499</u>	<u>5,948</u>
Provisions for liabilities and charges			
Deferred taxation	15	<u>412</u>	<u>579</u>
Net assets		<u>6,087</u>	<u>5,369</u>
Capital and reserves			
Called-up equity share capital	17	5	5
Profit and loss account	18	6,082	5,364
Equity shareholders' funds	19	<u>6,087</u>	<u>5,369</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 13 form part of these financial statements.

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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.

Intangible fixed assets

Intangible fixed 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 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.

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

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.

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. Accounting policies (continued)

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 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 profit

Operating profit is stated after charging:

	2004	2003
	£000	£000
Amortisation of intangible fixed assets	27	—
Depreciation of owned fixed assets	233	114
Depreciation of assets held under hire purchase agreements	335	430
Loss on disposal of fixed assets	15	31
Auditors' remuneration		
- as auditors	3	3
Operating lease costs:		
Land and buildings	27	14
Plant and equipment	11	12
	<u> </u>	<u> </u>

4. Particulars of employees

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

	2004	2003
	No	No
Drivers	158	160
Engineering	20	20
Administrative	19	16
	<u>197</u>	<u>196</u>

The aggregate payroll costs of the above were:

	2004	2003
	£000	£000
Wages and salaries	3,066	3,055
Social security costs	261	254
Other pension costs	66	64
	<u>3,393</u>	<u>3,373</u>

None of the Directors received any remuneration from the Company during the year (2003: £Nil).

5. Interest payable and similar charges

	2004	2003
	£000	£000
Hire purchase and finance lease charges	74	88
Other similar charges	—	14
	<u>74</u>	<u>102</u>

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

6. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2004 £000	2003 £000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	312	171
Total current tax	312	171
Deferred tax:		
Current year	(31)	-
Prior year	(136)	(122)
Total deferred tax (note 15)	(167)	(122)
Tax on profit on ordinary activities	145	49

(b) Factors affecting current tax charge

The tax assessed on the 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
Profit on ordinary activities before taxation	863	650
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	259	195
Depreciation in respect of ineligible assets	2	3
Adjustment to tax charge in respect of prior periods	20	(32)
Expenses not deductible for tax purposes	-	5
Difference between capital allowances and depreciation	31	-
Total current tax (note 6(a))	312	171

(c) Factors that may affect future tax charges

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

7. Intangible fixed assets

	Total £000
Cost	
Additions	400
At 31 December 2004	400
Amortisation	
Charge for the year	27
At 31 December 2004	27
Net book value	
At 31 December 2004	373
At 31 December 2003	-

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

8. Tangible fixed assets

	Freehold property £000	Plant & machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
Cost				
At 1 January 2004	134	578	6,783	7,495
Additions	17	19	194	230
Disposals	-	(59)	(70)	(129)
Transfers	-	-	(234)	(234)
At 31 December 2004	151	538	6,673	7,362
Depreciation				
At 1 January 2004	20	396	3,254	3,670
Charge for the year	15	49	504	568
On disposals	-	(8)	(55)	(63)
Transfers	-	-	(100)	(100)
At 31 December 2004	35	437	3,603	4,075
Net book value				
At 31 December 2004	116	101	3,070	3,287
At 31 December 2003	114	182	3,529	3,825

Hire purchase agreements

Included within the net book value of £3,287,000 is £2,227,000 (2003 - £2,493,000) 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 £335,000 (2003 - £430,000).

9. Stocks

	2004 £000	2003 £000
Raw materials	11	15

10. Debtors

	2004 £000	2003 £000
Trade debtors	45	43
Other debtors	15	20
Prepayments and accrued income	137	105
	197	168

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

11. Creditors: Amounts falling due within one year

	2004	2003
	£000	£000
Payments received on account	17	17
Amounts owed to group undertakings	163,043	133,737
Corporation tax	515	524
Other taxation and social security	114	102
Hire purchase agreements	410	862
Other creditors	200	180
Accruals and deferred income	404	435
	<u>164,703</u>	<u>135,857</u>

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

	2004	2003
	£000	£000
Hire purchase agreements	439	685
Accruals and deferred income	61	35
	<u>500</u>	<u>720</u>

13. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2004	2003
	£000	£000
Amounts payable within 1 year	410	862
Amounts payable between 1 and 2 years	155	379
Amounts payable between 2 and 5 years	284	306
	<u>849</u>	<u>1,547</u>

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

14. Pensions

At 31 December 2004 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 scheme, the Arriva Northumbria Pension Scheme, are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 5th April 2003, 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 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 5th April 2003 was sufficient to cover 75 per cent of the benefits then accrued to members. The market value of the Scheme's assets at 5th April 2003 was £30.6 million.

The pensions cost for the year represents contributions payable by the Company to both schemes and amount to £66,000 (2003: £64,000).

FRS 17 'Retirement Benefits'

The Company makes contributions to a defined benefit scheme, the Arriva Northumbria 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.

15. Deferred taxation

The movement in the deferred tax provision during the year was:

	2004 £000	2003 £000
Provision brought forward	579	701
Profit and loss account movement arising during the year	(167)	(122)
Provision carried forward	<u>412</u>	<u>579</u>

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

	2004 £000	2003 £000
Excess of taxation allowances over depreciation on fixed assets	419	581
Other timing differences	(7)	(2)
	<u>412</u>	<u>579</u>

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 £000	2003 £000
Operating leases which expire:		
Within 2 to 5 years	—	11
After more than 5 years	15	15
	<u>15</u>	<u>26</u>

ARRIVA TEESSIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

17. Called-up equity share capital

Authorised share capital:

	2004	2003
	£	£
5,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

18. Reserves

	Profit and loss account
Balance brought forward	£000
Retained profit for the year	5,364
	<u>718</u>
Balance carried forward	<u>6,082</u>

19. Reconciliation of movements in equity shareholders' funds

	2004	2003
	£000	£000
Profit for the financial year	718	601
Opening equity shareholders' funds	<u>5,369</u>	<u>4,768</u>
Closing equity shareholders' funds	<u>6,087</u>	<u>5,369</u>

20. 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, Dofford 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.