

**ARRIVA DURHAM COUNTY LIMITED**

**(formerly United Automobile Services Limited)**

**(Registered Number 2404350)**

**ANNUAL REPORT**

**31 DECEMBER 1998**



**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**DIRECTORS' REPORT**

The directors present their report and accounts for the year ended 31 December 1998.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were:

G W Hodgson	(retired 31 December 1998)	D R Martin	(appointed 20 July 1998)
S P Lonsdale		J A Ray	(appointed 15 September 1998)
M S Widmer	(resigned 12 February 1999)	J Counsell	
K J Watson	(resigned 2 January 1998)		
S J Burd			
S J Clayton	(appointed 28 April 1998)		

None of the directors had any interest in the share capital of the company. G W Hodgson, S P Lonsdale, S J Clayton, D R Martin and J A Ray had interests in the share capital of the ultimate parent company ARRIVA plc and these interests are disclosed in the accounts of that company.

M S Widmer, S J Burd and J Counsell have interests in ARRIVA plc details of which are shown below.

**Ordinary share options**

	At 1 Jan 1998	Date of Grant	Granted in year	At 31 Dec 1998	Exercise price (p)	Period of exercise
M S Widmer	-	4/3/98	7,000	7,000 *	418.50	4/3/01 - 4/3/08
	-	4/3/98	3,000	3,000 **	418.50	4/3/01 - 4/3/05
	-	1/7/98	3,816	3,816***	393.07	1/7/03 - 31/12/03
S J Burd	-	4/3/98	5,000	5,000 *	418.50	4/3/01 - 4/3/08
	-	1/7/98	1,908	1,908 ***	393.07	1/7/03 - 31/12/03
J Counsell	-	4/3/98	5,000	5,000 *	418.50	4/3/01 - 4/3/08
	-	1/7/98	915	915 ***	393.07	1/7/03 - 31/12/03

\* Executive share option scheme

\*\* Share incentive scheme

\*\*\* Savings related share option scheme

**Ordinary shares**

	At 1 Jan 1998	Date of acquisition	Acquired in year	Market value of date of acquisition	At 31 Dec 1998
M S Widmer	-	15/10/98	1,000	414.5p	1,000

**CHANGE OF NAME**

On 2 April 1998 the company changed it's name from United Automobile Services Limited to ARRIVA Durham County Limited.

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' RESPONSIBILITY STATEMENT**

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 4, is made with a view to describing to shareholders the responsibilities of the directors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

Following discussions with the auditors, the directors consider that in preparing the financial statements on pages 5 to 14, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed subject to any explanations and any material departures disclosed in the notes to the financial statements.

The directors have the responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have a 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.

**MATERIAL CONTRACTS**

There were no contracts subsisting during or at the end of the year in which a director is or was materially interested.

**ACTIVITIES**

The principal activity of the company is the provision of bus services in the North of England.

**STATE OF AFFAIRS**

In the opinion of the directors the state of affairs of the company is satisfactory.

**DEVELOPMENT OF THE BUSINESS**

The directors consider the results for the year to be satisfactory in the current climate and are looking forward to the future with optimism.

**RESULTS AND DIVIDENDS**

The profit for the year after taxation was £1,905,000 (1997-£1,124,000). The directors recommend a dividend of £1,000,000 be paid (1997-£Nil) and that the balance of £905,000 (1997-£1,124,000) is transferred to reserves.

**FIXED ASSETS**

The movements in tangible fixed assets and fixed asset investments are shown in Note 5 and Note 6 to the accounts, respectively.

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**DIRECTORS' REPORT (CONTINUED)**

**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.

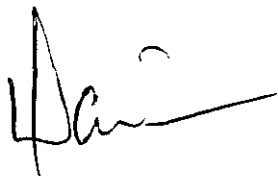
**POLICY REGARDING PAYMENT OF SUPPLIERS**

The company's policy regarding the payment of suppliers is either to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the payment terms, and in either case pay in accordance with its contractual or other legal obligations. At 31 December 1998, the company's outstanding trade creditors represent approximately 14 days purchases.

**AUDITORS**

Our auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998, following which Price Waterhouse resigned and the Directors appointed the new firm PricewaterhouseCoopers, as auditors. The company has elected to dispense with the requirement to appoint auditors annually.

Approved by the Board



**D P TURNER**  
Secretary  
11 March 1999

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**AUDITORS' REPORT TO THE MEMBERS**

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7 and 8.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established 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 Companies Act. We also report to you if, in our opinion, the director's 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.

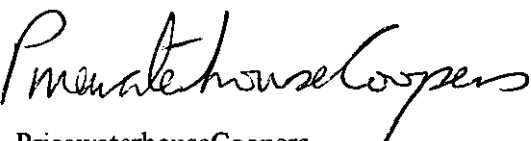
**Basis of opinion**

We conducted our audit in accordance with the 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 1998 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

11 March 1999

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

	Note	1998 £'000	1997 £'000
TURNOVER	1	15,160	14,190
COST OF SALES		<u>(10,844)</u>	<u>(10,213)</u>
GROSS PROFIT		4,316	3,977
NET OPERATING EXPENSES	2a	<u>(1,660)</u>	<u>(2,497)</u>
OPERATING PROFIT		2,656	1,480
INTEREST PAYABLE	2b	<u>(247)</u>	<u>(144)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2b	2,409	1,336
TAX ON PROFIT ON ORDINARY ACTIVITIES	4	<u>(504)</u>	<u>(212)</u>
PROFIT FOR THE FINANCIAL YEAR		1,905	1,124
EQUITY DIVIDENDS PROPOSED		<u>(1,000)</u>	<u>—</u>
TRANSFER TO RESERVES	12	<u>905</u>	<u>1124</u>

All of the above have arisen from continuing operations.

There have been no recognised gains and losses other than the profit for the period as shown above.

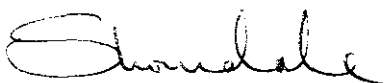
There is no difference between profit on ordinary activities after tax as shown in the profit and loss account, and the historical cost profit for the year.

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

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**BALANCE SHEET AS AT 31 DECEMBER 1998**

	Note	£'000	1998 £'000	1997 £'000
<b>FIXED ASSETS</b>				
Tangible assets	5		8,493	6,567
Investments	6		<u>53</u>	<u>53</u>
			8,546	6,620
<b>CURRENT ASSETS</b>				
Stocks	7	152		133
Debtors	8	3,003		3,646
Cash in hand and in bank		<u>1</u>		<u>2</u>
		3,156		3,781
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
	9	<u>(6,940)</u>		<u>(8,375)</u>
<b>NET CURRENT LIABILITIES</b>			<u>(3,784)</u>	<u>(4,594)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			4,762	2,026
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>				
	9		<u>(2,081)</u>	<u>(250)</u>
			<u>2,681</u>	<u>1,776</u>
<b>CAPITAL AND RESERVES</b>				
Called up equity share capital	11		1	1
Profit and loss account	12		<u>2,680</u>	<u>1,775</u>
Equity shareholders funds	13		<u>2,681</u>	<u>1,776</u>

APPROVED BY THE BOARD ON  
11 MARCH 1999



S P LONSDALE  
Director

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

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 1998**

**1. ACCOUNTING POLICIES**

**(1) Basis of accounting**

The accounts have been prepared in accordance with applicable Accounting Standards under the historical cost convention. As permitted by S228 of the Companies Act 1985 the company has not prepared consolidated financial statements.

**(2) Cash flow**

The ultimate parent company has adopted FRS 1 revised and has prepared a group cash flow statement, accordingly the company is exempt from preparing a cash flow statement.

**(3) Stocks**

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

**(4) Depreciation**

Depreciation of tangible fixed assets is based on cost or valuation and is calculated to write off the cost or valuation of assets in equal instalments over their expected lives at the following annual rates:

Plant and machinery	-	Over periods up to 10 years
Other equipment	-	Over periods up to 10 years
Buses and coaches	-	Over periods up to 14 years

**(5) Deferred taxation**

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

**(6) Pensions**

There are two retirement benefit schemes covering employees of the company, a defined benefit scheme and a defined contribution money purchase scheme.

Contributions in respect of the defined benefit scheme are charged to the profit and loss account so as to spread the total cost of pensions over each year.

Contributions payable under the money purchase scheme are charged to the profit and loss account as they arise.



**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**NOTES TO THE ACCOUNTS – 31 DECEMBER 1998 (CONTINUED)**

**1. ACCOUNTING POLICIES (CONTINUED)**

**(7) Turnover**

Turnover comprises cash taken on buses, allocation of travel card, bus pass and concessionary income, income from negotiated net cost contracts, and tendered gross cost contracts, and income from other commercial services.

Turnover arises within the United Kingdom and excludes value added tax.

**2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

**a) Net operating expenses:**

	1998 £'000	1997 £'000
Continuing operations:		
Administrative expenses	1,704	2,525
Other operating income	<u>(44)</u>	<u>(28)</u>
	<u>1,660</u>	<u>2,497</u>

**b) Profit on ordinary activities before taxation is stated after charging:**

	1998 £'000	1997 £'000
Depreciation	853	677
Auditors remuneration:		
Audit fees	3	10
Staff Costs:		
Wages and salaries	6,214	5,959
Social security costs	422	403
Other pension costs (see Note 10)	194	186
Interest payable on long term loans and hire purchases	<u>247</u>	<u>144</u>

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**NOTES TO THE ACCOUNTS – 31 DECEMBER 1998 (CONTINUED)**

**3. DIRECTORS' REMUNERATION**

The directors did not receive any emoluments as executives (1997:£nil).

**4. TAXATION**

Tax charge on profit on ordinary activities comprises the following:

	1998 £'000	1997 £'000
Corporation tax at 31% (1997- 31.5%)	<u>504</u>	<u>212</u>

The effective rate of tax is less than the standard rate of 31% principally as a result of the excess of capital allowances over depreciation in the bus fleet.

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**NOTES TO THE ACCOUNTS – 31 DECEMBER 1998 (CONTINUED)**

**5. TANGIBLE FIXED ASSETS**

	<b>Buses and coaches £'000</b>	<b>Other Vehicles £'000</b>	<b>Plant, machinery &amp; other equipment £'000</b>	<b>Total £'000</b>
Cost				
At 1 January 1998	12,920	102	731	13,753
Additions	3,436	-	4	3,440
Disposals	(921)	-	-	(921)
Intra group transfers in	1,105	-	145	1,250
Intra group transfers out	(2,222)	-	-	(2,222)
	<u>14,318</u>	<u>102</u>	<u>880</u>	<u>15,300</u>
Depreciation				
At 1 January 1998	6,561	102	523	7,186
Charge for year	779	-	74	853
Disposals	(912)	-	-	(912)
Intra group transfers in	720	-	26	746
Intra group transfers out	(1,066)	-	-	(1,066)
	<u>6,082</u>	<u>102</u>	<u>623</u>	<u>6,807</u>
Net book amount				
At 31 December 1998	8,236	-	257	8,493
At 1 January 1998	<u>6,359</u>	<u>-</u>	<u>208</u>	<u>6,567</u>

The net book amount of assets held under finance leases, included in buses and coaches is £Nil (1997 - £nil). The depreciation provided in the year is £Nil (1997-£Nil).

**6. FIXED ASSET INVESTMENTS**

**Shares in unquoted  
companies  
£'000**  
53

Cost and net book amount at 31 December 1997 and 31 December 1998

In the opinion of the directors the value of the investment is not less than the amount stated in the accounts.

The company's investments represent 100% of the issued £1 ordinary share capital of the following company:-

Eden Bus Services Limited

**Principal Activity**  
**Bus Operator**

The above company is registered in England and Wales and operates in England.

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services limited)**  
**NOTES TO THE ACCOUNTS – 31 DECEMBER 1998 (CONTINUED)**

**7. STOCKS**

	1998 £'000	1997 £'000
Raw materials and consumables	<u>152</u>	<u>133</u>

**8. DEBTORS**

	1998 £'000	1997 £'000
Amounts owed by group undertakings	2,712	3,380
Trade debtors	120	127
Prepayments and accrued income	169	139
Other debtors	<u>2</u>	<u>-</u>
	<u>3,003</u>	<u>3,646</u>

**9. CREDITORS**

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Bank overdraft	1,259	275
Trade creditors	167	407
Other taxation and social security	113	114
Corporation tax	662	158
Accruals and deferred income	864	1,869
Other creditors	1,181	377
Amounts owed to group undertakings	1,936	5,175
Amounts due under hire purchase contracts	<u>758</u>	<u>-</u>
	<u>6,940</u>	<u>8,375</u>

Amounts due after more than one year:

Other loans	-	250
Amounts due under hire purchase contracts:		
Payable in one to two years	-	-
Payable in two to five years	<u>2,081</u>	<u>-</u>
	<u>2,081</u>	<u>250</u>

The company is part to an unlimited multi-lateral guarantee involving the bank borrowings of ARRIVA Plc and other group undertakings.

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (CONTINUED)**

**10. PROVISIONS FOR LIABILITIES AND CHARGES**

**Deferred taxation**

There was no deferred tax provided for at 31 December 1998 (1997-£nil).

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:

	1998 £'000	1997 £'000
Accelerated capital allowances	1,106	848
	<hr/>	<hr/>

**Pension commitments**

There are two retirement benefit schemes providing benefits to certain employees of the company.

a) Retirement Benefit Plan

Some employees of the company are members of a group operated defined benefit scheme. The contributions are based on pension costs as a whole across the participating companies and are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was at 1 April 1995.

b) Money Purchase Scheme

Some employees of the company are members of a group operated defined contribution pension scheme.

The pension cost charge for the period represents contributions payable by the company to both schemes and amount to £194,000 (1997: £186,000)

Contributions amounting to £39,692 (31 December 1997: £43,000) were payable to the defined contribution scheme at the period end and are included in creditors.

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**NOTES TO THE ACCOUNTS – 31 DECEMBER 1998 (CONTINUED)**

**11. CALLED UP EQUITY SHARE CAPITAL**

**1997 and 1998**  
**£'000**

Authorised Ordinary shares of £1 each	<u>1000</u>
Allotted and fully paid Ordinary shares of £1 each	<u>1</u>

**12. RESERVES**

**Profit and Loss  
Account**  
**£'000**

At 1 January 1998	
Retained profit for the year	1,775
	<u>905</u>
At 31 December 1998	<u>2,680</u>

**13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>1998</b> <b>£'000</b>	<b>1997</b> <b>£'000</b>
Profit for the year		
Dividends	1,905	1,124
	<u>(1,000)</u>	<u>-</u>
Net movement in shareholders' funds	905	1,124
Opening shareholders' funds	1,776	652
Closing shareholders' funds	<u>2,681</u>	<u>1,776</u>

**14. PARTICULARS OF EMPLOYEES**

The average number of employees during the year was 531 (1997-520)

**15. ULTIMATE PARENT COMPANY**

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

**ARRIVA DURHAM COUNTY LIMITED**  
**(formerly United Automobile Services Limited)**  
**NOTES TO THE ACCOUNTS – 31 DECEMBER 1998 (CONTINUED)**

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.

**16. CAPITAL COMMITMENTS**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Capital expenditure contracted for but not provided in the financial statements	-	1,243
	<hr/>	<hr/>