

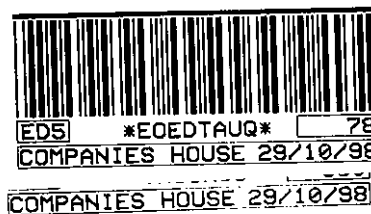
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UNITED AUTOMOBILE SERVICES LIMITED

²⁴⁰⁴³⁵⁰
(Registered Number 2405350)

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1997



UNITED AUTOMOBILE SERVICES LIMITED DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

G W Hodgson Chairman
S P Lonsdale
M S Widmer
K J Watson
S J Burd

None of the directors had any interest in the share capital of the company. G W Hodgson and S P Lonsdale had interests in the share capital of the ultimate parent company and these interests are disclosed in the accounts of that company. None of the other directors have any interests in the share capital of the ultimate parent company.

ULTIMATE PARENT UNDERTAKING

On 6 November 1997, the ultimate holding company, Cowie Group plc, changed its name to ARRIVA plc.

DIRECTORS' RESPONSIBILITY STATEMENT

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 3, 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 4 to 12, 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.

UNITED AUTOMOBILE SERVICES LIMITED DIRECTORS' REPORT (CONTINUED)

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 £1,124,000 (1996-£1,597,000). The directors do not recommend a dividend be paid (1996-£700,000) and that the balance of £1,124,000 (1996-£897,000) 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.

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.

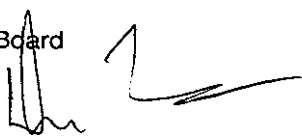
POLICY REGARDING PAYMENT OF SUPPLIERS

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 to pay in accordance with its contractual or other legal obligations. At 31 December 1997, the company's outstanding trade creditors represent approximately 15 days purchases.

AUDITORS

Price Waterhouse are willing to continue in office and resolutions as to their re-appointment and remuneration will be proposed at the Annual General Meeting.

Approved by the Board



D P TURNER
Secretary

3 March 1998

AUDITORS' REPORT TO THE MEMBERS OF UNITED AUTOMOBILE SERVICES 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 pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Newcastle Upon Tyne

3 March 1998

UNITED AUTOMOBILE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
TURNOVER			
Continuing operations	1	14190	13826
COST OF SALES		<u>(10213)</u>	<u>(9982)</u>
GROSS PROFIT		3977	3844
NET OPERATING EXPENSES	2a)	<u>(2497)</u>	<u>(2376)</u>
OPERATING PROFIT		1480	1468
INTEREST PAYABLE	2b)	(144)	(34)
INTEREST RECEIVABLE AND SIMILAR INCOME		-	2
		—	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2b)	1336	1436
TAX ON PROFIT ON ORDINARY ACTIVITIES	4	<u>(212)</u>	<u>161</u>
PROFIT FOR THE FINANCIAL YEAR		1124	1597
EQUITY DIVIDENDS PROPOSED		—	<u>(700)</u>
TRANSFERTO RESERVES	12	1124	897
		=====	=====

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 6 to 12 form part of these accounts.

UNITED AUTOMOBILE SERVICES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1997

	Note	31 December 1997 £'000	31 December 1996 £'000
FIXED ASSETS			
Tangible assets	5	6567	4664
Investments	6	<u>53</u>	<u>53</u>
		6620	4717
CURRENT ASSETS			
Stocks	7	133	150
Debtors	8	3646	1320
Cash at hand and in bank		<u>2</u>	<u>2</u>
		3781	1472
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(8375)</u>	<u>(5277)</u>
NET CURRENT LIABILITIES		<u>(4594)</u>	<u>(3805)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2026	912
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	(250)	(250)
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>-</u>	<u>(10)</u>
		1776	652
		=====	=====
CAPITAL AND RESERVES			
Called up equity share capital	11	1	1
Profit and loss account	12	<u>1775</u>	<u>651</u>
Equity shareholders funds	13	1776	652
		=====	=====

APPROVED BY THE BOARD ON
3 MARCH 1998



S P LONSDALE
Director

The notes on pages 6 to 12 form part of these accounts.

UNITED AUTOMOBILE SERVICES LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable Accounting Standards.

(1) Basis of accounting

The company prepares its accounts on the historical cost basis of accounting.

(2) Cash flow

The ultimate parent company has adopted FRS 1 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 of 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.

UNITED AUTOMOBILE SERVICES LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(8) 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:

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Continuing operations:		
Administrative expenses	2525	2478
Other operating income	<u>(28)</u>	<u>(102)</u>
	2497	2376
	=====	=====

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

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Depreciation	677	711
Auditors remuneration:		
Audit fees	10	8
Staff costs:		
Wages and salaries	5959	6035
Social security costs	403	432
Other pension costs [See Note 10]	186	188
Interest payable on long term loans and hire purchases	144	34
	=====	=====

UNITED AUTOMOBILE SERVICES LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

3. DIRECTORS' REMUNERATION

The directors did not receive any emoluments as executives (1996: £nil).

	Year ended 31 December 1997	Year ended 31 December 1996
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4 TAXATION

Tax charge on profit on ordinary activities comprises the following:

Corporation tax at 31.5% (1996 33%)	212	449
Deferred Tax:		
current period	-	-
prior period	-	(610)
	<u>212</u>	<u>(161)</u>
	=====	=====

The taxation charge reflects the effect of group relief available to the company.

UNITED AUTOMOBILE SERVICES LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

5 TANGIBLE FIXED ASSETS

	Buses and coaches £'000	Other vehicles £'000	Plant Machinery and other Equipment £'000	Total £'000
Cost				
At 1 January 1997	10622	106	720	11448
Additions	2541	-	11	2552
Disposals	(765)	(4)	-	(769)
Intra group transfers in	1013	-	-	1013
Intra group transfers out	<u>(491)</u>	<u>-</u>	<u>-</u>	<u>(491)</u>
At 31 December 1997	12920	102	731	13753
	=====	=====	=====	=====
Depreciation				
At 1 January 1997	6220	104	460	6784
Charge for year	612	2	63	677
Disposals	(765)	(4)	-	(769)
Intra group transfers in	979	-	-	979
Intra group transfers out	<u>(485)</u>	<u>-</u>	<u>-</u>	<u>(485)</u>
At 31 December 1997	6561	102	523	7186
	=====	=====	=====	=====
Net book amount				
At 31 December 1997	6359	-	208	6567
	=====	=====	=====	=====
At 1 January 1997	4402	2	260	4664
	=====	=====	=====	=====

The net book amount of assets held under finance leases, included in buses and coaches is £Nil (1996 - £Nil).
The depreciation provided in the year is £Nil (1996 - £12,000).

6 FIXED ASSET INVESTMENTS

	Shares in unquoted companies £'000
Cost and net book amount at 31 December 1996 and 31 December 1997	53
	=====

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

UNITED AUTOMOBILE SERVICES LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

7 STOCKS

	31 December 1997 £'000	31 December 1996 £'000
Raw materials and consumables	133 =====	150 =====

8 DEBTORS

	31 December 1997 £'000	31 December 1996 £'000
Amounts owed by group undertakings	3380	860
Trade debtors	127	120
Prepayments and accrued income	139	159
Other debtors	-	181
	<u>3646</u> =====	<u>1320</u> =====

9 CREDITORS

	31 December 1997 £'000	31 December 1996 £'000
Amounts falling due within one year:		
Bank overdraft	275	958
Trade creditors	407	183
Creditors for taxation and social security	272	570
Accruals and deferred income	1869	1917
Other creditors	377	387
Amounts owed to group undertakings	<u>5175</u>	<u>1262</u>
	<u>8375</u> =====	<u>5277</u> =====
Amounts due after more than one year:		
Other loans	<u>250</u> =====	<u>250</u> =====

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

UNITED AUTOMOBILE SERVICES LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

10 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The potential liability to deferred taxation is as follows:

	1997 £'000	1996 £'000
Accelerated capital allowance	-	610
Other timing differences	-	(10)
On release to profit and loss account	-	(610)
	=====	=====

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:-

	1997 £'000	1996 £'000
Accelerated capital allowances	848	693
	=====	=====

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 £186,000 (1996: £188,000)

Contributions amounting to £43,000 (31 December 1996: £27,000) were payable to the defined contribution scheme at the period end and are included in creditors.

11 CALLED UP EQUITY SHARE CAPITAL

	31 December 1996 and 31 December 1997 £'000
Authorised Ordinary shares of £1 each	1000
	=====
Allotted and fully paid Ordinary shares of £1 each	1
	=====

UNITED AUTOMOBILE SERVICES LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

12 RESERVES

**Profit and
loss account
£'000**

At 1 January 1997	651
Retained profit for the year	<u>1124</u>
At 31 December 1997	1775
	=====

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Profit / (loss) for the year	1124	1597
Dividends	<u>-</u>	<u>(700)</u>
Net movement in shareholders' funds	1124	897
Opening shareholders' funds	<u>652</u>	<u>(245)</u>
Closing shareholders' funds	1776	652
	=====	=====

14 PARTICULARS OF EMPLOYEES

The average number of employees during the year was 520 (1996 - 520).

15 ULTIMATE PARENT COMPANY

The ultimate parent company and ultimate controlling party at the end of the year is ARRIVA plc (formerly Cowie Group plc), a company which operates and is registered in England and Wales, and which has prepared group accounts incorporating the results of United Automobile Services 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.

16 CAPITAL COMMITMENTS

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Capital expenditure contracted for but not provided in the financial statements	1243	523
	=====	=====