

ARRIVA TRAINS NORTHERN LIMITED
ANNUAL REPORT
PERIOD ENDED 31 DECEMBER 2004

Company Registration Number : 3007932



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COMPANIES HOUSE **24/11/2005**

ARRIVA TRAINS NORTHERN LIMITED

ANNUAL REPORT

PERIOD ENDED 31 DECEMBER 2004

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ARRIVA TRAINS NORTHERN LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

D C J Applegarth
R B Cobbe
P Strachan

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
NE99 IPL

ARRIVA TRAINS NORTHERN LIMITED

THE DIRECTORS' REPORT

PERIOD ENDED 31 DECEMBER 2004

The Directors submit their report and the audited financial statements for the period ended 31 December 2004.

Principal activity

The principal activity of the Company during the period was the operation of passenger railway services in Northern England.

Results and dividends

The results for the period are set out in the attached profit and loss account. A retained profit of £2,152,000 (Prior period: £16,669,000) has been transferred to reserves. The Directors recommend the payment of a dividend of £19,100,000 (Prior period: £1,500,000).

Business review and prospects

The original Franchise Agreement under which the Company operated the Franchise expired by effluxion of time on 2 February 2003. On 31 January 2003 the Company concluded an Interim Franchise Agreement with the SRA and the Local Passenger Transport Executives in West Yorkshire, South Yorkshire, Greater Manchester and Tyne & Wear under which Arriva Trains Northern Limited continued to operate the Franchise on new financial terms.

The Interim Franchise Agreement of 31 January 2003 expired on 1 February 2004 due to the commencement of the Trans-Pennine Express Franchise on that date. On 1 February 2004 the Company concluded a further Interim Franchise Agreement with the SRA and the Local Passenger Transport Executives in West Yorkshire, South Yorkshire, Greater Manchester and Tyne & Wear under which Arriva Trains Northern Limited continued to operate the residual Northern Franchise on new financial terms. The further Interim Franchise Agreement expired by effluxion of time on 12 December 2004.

On 31 December 2004 the assets and liabilities of the Company, excluding those items relating to taxation, were transferred at book value to Broadwood Finance Company Limited, a wholly owned subsidiary of Arriva plc. The consideration for the transferring assets and liabilities is included within amounts owed by group undertakings.

Directors and their interests

The Directors who served the Company during the period were as follows:

R C Price (resigned 30 September 2004)
D C J Applegarth (appointed 31 January 2004)
D Crowther (resigned 10 December 2004)
R B Cobbe (appointed 26 March 2004)
P Strachan (appointed 26 March 2004)

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

The interests of D C J Applegarth and R B Cobbe in the share capital of Arriva plc are shown in the Directors' Report of Arriva Trains Limited, the immediate parent company.

P Strachan has no interests in the ordinary share capital of Arriva plc.

Conditional share awards under the terms of The Arriva plc Long Term Incentive Plan 2000 ('The LTIP') were made to certain Directors in the prior period. These awards are shown in the Directors' Report of Arriva Trains Limited, the immediate parent company.

Details of the performance criteria relating to The LTIP are shown in the Annual Report and Accounts of Arriva plc.

ARRIVA TRAINS NORTHERN LIMITED

THE DIRECTORS' REPORT

PERIOD ENDED 31 DECEMBER 2004

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 period 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.

Employees

Whilst trading continued Arriva Trains Northern Limited gave full and fair consideration to applications for employment by disabled persons, having regard to their respective aptitudes and abilities. The Company's policy included, where applicable, the continued employment of those who may have 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.

Creditor payment

The Company's current policy concerning the payment of the majority of its trade creditors is to:

- Settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- Ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- Pay in accordance with its contractual and other legal obligations.

At the period end the Company had nil days (Prior period: 38 days) of trade creditors outstanding.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. An elective resolution has been passed to dispense with the obligation to appoint auditors annually.

By order of the Board



E A Thorpe
Company Secretary

3 March 2005

ARRIVA TRAINS NORTHERN LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIVA TRAINS NORTHERN LIMITED

PERIOD 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.

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 at 31 December 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

22 March 2005

ARRIVA TRAINS NORTHERN LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD ENDED 31 DECEMBER 2004

		Period ended 31 December 2004 £000	52 weeks ended 3 January 2004 £000
Turnover			
Passenger income		57,014	103,128
Franchise payments		199,493	249,406
Other income		25,384	13,654
	2	<u>281,891</u>	<u>366,188</u>
Cost of sales		<u>(255,694)</u>	<u>(341,672)</u>
Operating profit	3	26,197	24,516
Profit on disposal of properties		12	-
Interest receivable	6	3,893	1,357
Interest payable	6	(19)	(10)
		<u>30,083</u>	<u>25,863</u>
Profit on ordinary activities before taxation		30,083	25,863
Tax on profit on ordinary activities	7	(8,831)	(7,694)
		<u>21,252</u>	<u>18,169</u>
Profit on ordinary activities after taxation		21,252	18,169
Dividends	8	(19,100)	(1,500)
		<u>2,152</u>	<u>16,669</u>
Retained profit for the financial period	19	<u>2,152</u>	<u>16,669</u>

All amounts relate to operations discontinued during the period.

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

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.

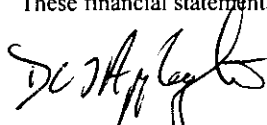
ARRIVA TRAINS NORTHERN LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2004

	Note	31 December 2004 £000	3 January 2004 £000
Fixed assets			
Tangible fixed assets	10	-	6,004
Current assets			
Stocks	11	-	1,181
Debtors	12	20,763	37,279
Cash at bank and in hand		-	59,559
		<u>20,763</u>	<u>98,019</u>
Creditors: Amounts falling due within one year	13	<u>(10,225)</u>	<u>(91,301)</u>
Net current assets		<u>10,538</u>	<u>6,718</u>
Total assets less current liabilities		<u>10,538</u>	<u>12,722</u>
Creditors: Amounts falling due after more than one year	14	-	(3,133)
Provisions for liabilities and charges	15	-	(1,203)
		<u>10,538</u>	<u>8,386</u>
Capital and reserves			
Called-up equity share capital	18	8,000	8,000
Profit and loss account	19	2,538	386
Equity shareholders' funds	20	<u>10,538</u>	<u>8,386</u>

These financial statements were approved by the Directors on 2 March 2005 and were signed on their behalf by:


D C J Applegarth
Director

ARRIVA TRAINS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2004

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention and 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

Passenger income represents agreed amounts attributed to the Company by the income allocation systems of the Railway Settlement Plan Limited, principally in respect of passenger receipts, based on detailed surveys of passenger flows. The attributed share of season ticket income is deferred within creditors and released to the profit and loss account over the life of the relevant season ticket. Franchise payments relate to amounts received from PTEs and the SRA under the Franchise Agreement. Other income arises from the provision of ancillary services to external parties.

Performance and incentive regimes

Payments and receipts under performance and incentive regimes have been included within cost of sales.

Fixed assets and depreciation

Buildings and infrastructure are capitalised at cost subject to a minimum monetary level of £10,000. Plant and equipment is capitalised at cost subject to a minimum monetary level of £1,000. Depreciation is provided on a straight line basis over periods related to the estimated useful economic lives of assets. The lives used for the major categories of assets are:

- Buildings up to 40 years
- Plant and equipment 3-20 years

Capital grants

Capital grants are credited to deferred grant income on the balance sheet and released to the profit and loss account over the estimated useful economic lives of the related assets.

Leasing

Rentals under operating leases are charged to the profit and loss account as they are incurred.

Deferred taxation

The Company provides 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. 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.

Stocks and work in progress

Stock is stated at the lower of cost and net realisable value.

Pensions

The Railways Pension Scheme ("RPS") provides pension benefits to the majority of current employees on a defined benefit basis. The accounting policy is to charge the contributions to the pension scheme to the profit and loss account, in accordance with actuarial advice. This is on the basis that there is no recourse to the Company for any over or under funding of the Arriva Trains Northern Limited section of the RPS following expiry of the franchise. Consequently, there are no additional disclosures required under Financial Reporting Standard 17 "Retirement Benefits".

ARRIVA TRAINS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2004

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):

	Period ended 31 December 2004 £000	52 weeks ended 3 January 2004 £000
Depreciation of tangible fixed assets	837	893
(Profit)/loss on disposal of fixed assets	(4)	2
Amortisation of deferred capital grants	(478)	(447)
Restructuring and redundancy	107	780
Auditors' remuneration		
- audit fees	30	30
- non – audit fees	-	3
Track access charges payable to Network Rail	67,014	116,255
Operating lease rentals:		
Rolling stock charges	27,758	38,805
Land and building charges	11,176	14,711
Other operating lease charges	109	105

4. Staff costs

The average number of staff employed by the Company during the financial period amounted to 2,575 (Prior period: 3,009).

The aggregate payroll costs of the above were:

	Period ended 31 December 2004 £000	52 weeks ended 3 January 2004 £000
Wages and salaries	61,932	72,428
Social security costs	4,843	5,403
Pension costs	5,628	-
	<u>72,403</u>	<u>77,831</u>

In the prior period, the Company made a contribution to its section of the Railways Pension Scheme of £2,345,000, which was refunded by the SRA in full under the terms of the Interim Franchise Agreement.

In the period ended 31 December 2004, the Company's contribution to its section of the Railways Pension Scheme of £5,628,000 was not refunded.

5. Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	Period ended 31 December 2004 £000	52 weeks ended 3 January 2004 £000
Directors' fees and performance related payments	<u>176</u>	<u>194</u>

ARRIVA TRAINS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2004

Directors' emoluments (continued)

None of the Directors are accruing retirement benefits under defined benefit schemes (Prior period: 2).

6. Interest

	Period ended 31 December 2004 £000	52 weeks ended 3 January 2004 £000
Interest receivable:		
Bank interest and other interest receivable	<u>3,893</u>	<u>1,357</u>
Interest payable:		
Interest payable on bank loans and overdrafts	<u>19</u>	<u>10</u>

7. Tax on profit on ordinary activities

(a) Analysis of charge in the period

	Period ended 31 December 2004 £000	52 weeks ended 3 January 2004 £000
Current tax:		
UK Corporation Tax	7,914	7,858
Deferred tax:		
Timing differences, origination and reversal	<u>917</u>	<u>(164)</u>
Tax on profit on ordinary activities	<u>8,831</u>	<u>7,694</u>

(b) Factors affecting current tax charge

	Period ended 31 December 2004 £000	52 weeks ended 3 January 2004 £000
Profit on ordinary activities before taxation	<u>30,083</u>	<u>25,863</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (Prior period: 30%)	9,025	7,759
Effects of:		
Expenses not deductible for tax purposes	-	22
Depreciation in respect of ineligible assets	110	75
Differences between capital allowances and depreciation	(913)	(86)
Other short term timing differences	(115)	(32)
Adjustment to tax charge in respect of prior periods	(193)	120
Total current tax (note 7(a))	<u>7,914</u>	<u>7,858</u>

(c) Factors that may affect future tax charges

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

ARRIVA TRAINS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2004

8. Dividends

The following dividends have been paid in respect of the year:

	Period ended 31 December 2004 £000	52 weeks ended 3 January 2004 £000
Interim dividend on ordinary shares of £1.26 per share (Prior period: £nil per share)	10,100	-
Final dividend on ordinary shares of £1.13 per share (Prior period: £0.19 per share)	9,000	1,500
	<u>19,100</u>	<u>1,500</u>

9. Operating lease and similar commitments

The Company had signed contracts with Network Rail for access to the railway infrastructure (track, stations and depots). These contracts expired at the end of the franchise and consisted of fixed and variable charges. The Company is not committed to pay any fixed track access charges (Prior period: £68,011,000) after the expiry date of the franchise, being 12 December 2004.

The Company has no liability for operating lease rentals beyond the termination date of the franchise.

10. Tangible fixed assets

	Buildings £000	Plant & Equipment £000	Total £000
Cost			
At 4 January 2004	5,170	4,371	9,541
Additions	503	182	685
Disposals	(5,673)	(4,553)	(10,226)
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation			
At 4 January 2004	1,458	2,079	3,537
Charge for the period	369	468	837
On disposals	(1,827)	(2,547)	(4,374)
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>
At 3 January 2004	<u>3,712</u>	<u>2,292</u>	<u>6,004</u>

11. Stocks

	31 December 2004 £000	3 January 2004 £000
Raw materials and consumables	<u>-</u>	<u>1,181</u>

ARRIVA TRAINS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2004

12. Debtors

	31 December 2004 £000	3 January 2004 £000
Trade debtors	-	11,917
Amounts owed by group undertakings	17,551	1,053
Other debtors	3,212	16,248
Deferred taxation (note 17)	-	917
Prepayments and accrued income	-	7,144
	<u>20,763</u>	<u>37,279</u>

13. Creditors: Amounts falling due within one year

	31 December 2004 £000	3 January 2004 £000
Payments received on account	-	162
Trade creditors	-	22,925
Amounts owed to group undertakings	88	2,143
Corporation tax payable	8,175	12,995
Other creditors	-	14,921
Other taxation and social security	1,962	3,405
Accruals and other deferred income	-	34,750
	<u>10,225</u>	<u>91,301</u>

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

	31 December 2004 £000	3 January 2004 £000
Deferred grant income	-	3,133

15. Provisions for liabilities and charges

	Total £000
As at 4 January 2004	1,203
Utilised during the period	(380)
Charge for the period	775
Transferred during the period	(1,598)
As at 31 December 2004	<u>-</u>

Provisions are amounts in respect of compensation claims, which are not covered by the Company's public and employer liability insurance.

ARRIVA TRAINS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2004

16. Pensions

Employees of Arriva Trains Northern Limited were eligible to join the Arriva Trains Northern Limited Shared Cost Section of the Railways Pension Scheme (a funded final salary pension scheme) and the majority of the Company's employees were members. The scheme was assessed and operated in accordance with the advice of an independent, qualified actuary. The actuary of the Railways Pension Scheme has undertaken an actuarial valuation of the Arriva Trains Northern Limited section at 31 December 2001 using the projected unit method. The main assumptions used were that the rate of return on investments would exceed salary growth by 2.3% per annum and exceed pension increases by 3.8% per annum.

The market value of assets of the Arriva Trains Northern Limited section at 31 December 2001 was £146.7m. The actuarial valuation shows a funding level after required reserves of 93.1%. Action has been taken to return the fund level to 100% in accordance with the scheme rules. The ongoing regular service cost of the Section was estimated as 24% of Section Pay including members' contributions.

The pensions cost in the period was £5,628,000 (Prior period: £nil). Contributions of £5,628,000 (Prior period: £2,345,000, which were refunded in full by the SRA under terms of the Interim Franchise Agreement) were payable to the section of the Railways Pension Scheme to which the Company contributes. On the termination date of the franchise the Company ceased to be the Principal Employer of the Arriva Trains Northern Limited Shared Cost Section of the Railways Pension Scheme.

17. Deferred taxation

	Total £000
The movement in the deferred tax asset during the period was:	
At 4 January 2004	917
Profit and loss account movement for the period	(917)
At 31 December 2004	-

The deferred tax asset consisted of the tax effect of timing differences in respect of:

	31 December 2004 £000	3 January 2004 £000
Excess of depreciation on fixed assets over tax allowances claimed	-	392
Other short term timing differences	-	525
	-	917

18. Share capital

Authorised share capital:

	31 December 2004 £000	3 January 2004 £000
8,000,001 Ordinary shares of £1 each	8,000	8,000

Allotted, called up and fully paid:

	31 December 2004		3 January 2004	
	No	£000	No	£000
Ordinary shares of £1 each	8,000,001	8,000	8,000,001	8,000

ARRIVA TRAINS NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2004

19. Reserves

	Profit and loss account £000
At 4 January 2004	386
Profit for the period	2,152
At 31 December 2004	<u>2,538</u>

20. Reconciliation of movements in equity shareholders' funds

	31 December 2004 £000	3 January 2004 £000
Profit for the financial period	21,252	18,169
Dividends	(19,100)	(1,500)
Net increase in equity shareholders' funds	<u>2,152</u>	16,669
Opening equity shareholders' funds / (deficit)	8,386	(8,283)
Closing equity shareholders' funds	<u>10,538</u>	<u>8,386</u>

21. Capital commitments

	31 December 2004 £000	3 January 2004 £000
Capital expenditure for which contracts have been placed but which is not otherwise provided for in these accounts	-	430

22. 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 Trains Northern 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.