REGISTERED NUMBER: 2605399 (England and Wales)

REPORT OF THE DIRECTORS AND

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

FOR

BLAZEFIELD HOLDINGS LIMITED

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BLAZEFIELD HOLDINGS LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS:	G R Fearnley (Chairman) S D Wilde (Group Managing Director) D B Alexander D J Hurry J A Joslin M P Mullins
SECRETARY:	Mrs J K Temple
REGISTERED OFFICE:	Prospect Park Broughton Way Starbeck Harrogate HG2 7NY
REGISTERED NUMBER:	2605399 (England and Wales)
AUDITORS:	wbs Registered Auditor Chartered Accountants 21-27 St. Paul's Street Leeds LS1 2ER
BANKERS:	National Westminster Bank plc Turnpike House 123 High Street Crawley West Sussex RH10 1DQ
SOLICITORS:	Osborne Clarke 50 Queen Charlotte Street Bristol BS1 4HE

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report with the financial statements of the Group for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the Group is the operation of scheduled bus services in Yorkshire, Lancashire and Hertfordshire. The Group sold its operations in Cambridgeshire in November 2003.

RESULTS AND REVIEW OF THE YEAR

Details of the Group results for the year are given on page six. The Directors do not recommend the payment of a dividend.

Through 2003, the Group has continued to see an increase in patronage levels on its key route networks and continues to work closely will all local authorities and passenger transport executives throughout its operating areas. Very worthwhile benefits are now being delivered through these partnerships including new bus shelters, raised kerbs where low floor buses operate, priority measures, investment in bus stations and most recently the development of real time service information for passengers.

The Group currently operates 373 buses with an average fleet age of 6.0 years (2002 - 7.3 years). However when excluding the vehicles held in the fleet for school services operated on contract to local authorities, the average fleet age of those operating commercial networks is just 4.4 years (2002 - 4.7 years). This level of investment in its fleet coupled with continuous training programmes for its staff, improvements to passenger and staff security and enhancements to its services all underpin the Group's determination to operate high quality route networks. In respect of staff training the Group, in conjunction with Accrington and Rossendale College, has now developed its own vocational qualification for drivers which identifies and assesses the application of key vocational skills required in the modern passenger transport industry.

The Group's East Lancashire subsidiaries were runners up in the Bus Company of the Year award in November 2003. This follows Harrogate & District Travel Limited winning the award in 2002 and that company was also short-listed for the 2003 awards. This is a major national competition in which bus companies from all parts of the UK are assessed. The judging criteria covered issues such as investment, staff training, service development, marketing and innovation and with particular emphasis on customer satisfaction assessed principally by mystery travellers. The Group's success is a tribute to the dedication and professionalism of its staff and, in East Lancashire, it was particularly pleasing to have achieved such recognition just two years after the Group acquired the business.

In November 2003, the Group's subsidiary, Sovereign Bus & Coach Company Limited, sold its operations centred on Huntingdon, Cambridgeshire and in early January 2004 sold its St Albans, Hertfordshire based network of services. This enables that company to concentrate on developing its prime interurban network from its operating centres in Stevenage and Hatfield.

FUTURE DEVELOPMENTS

The Directors will continue to focus on developing the business through investment and general quality improvements and are confident that passenger volumes will continue to increase where services meet or exceed customers' reasonable expectations. To this end, Harrogate & District Travel Limited is now operating new double deck buses on its inter-urban route linking Ripon, Harrogate and Leeds. This route already carries a significant number of passengers who choose not to use a car for their journey and market research suggests that others will make a similar choice if additional capacity is provided and service quality is guaranteed. These vehicles are fitted out to the highest specification for any buses operating within the United Kingdom. Another group subsidiary, Keighley & District Travel Limited, has re-launched its town network from March 2004 with investment not only in a fleet of new single deck buses but also in the services themselves with improved links and frequency enhancements. Both these developments are supported by local authority investment including new shelters, raised kerbs and improvements generally to the bus stop environment.

In common with the rest of the UK bus industry, the Group is suffering cost pressures particularly in labour rates, pension fund contributions, insurance premiums and accident costs. Following an increase in the employer contributions to the Blazefield Pension Plan in 2002, employee contributions have been increased by 2% with effect from April 2004. The Group makes every effort to minimise the impact of all cost pressures whilst not adversely affecting the quality thresholds that underpin its service networks.

DIRECTORS

The directors of the Company at the date of this report, all of whom served throughout the year are given on page one. J A Joslin resigned on 30 April 2004.

The interests of the directors in the share capital of the Company throughout the year was as follows:

	Ordinary Shares
G R Fearnley	37,500
S D Wilde	12,500

During the year none of the other directors had any interest in the share capital of the Company or its subsidiaries notifiable in accordance with the Companies Act 1985.

EMPLOYMENT OF DISABLED PERSONS

The Group recognises its obligation to give disabled people full and fair consideration for all vacancies within the statutory medical requirements which have to be met for certain grades of staff. Wherever reasonable and practical the Group will retain disabled employees and at the same time provide fair opportunities for the career development of disabled people.

EMPLOYMENT INVOLVEMENT

As far as is possible, allowing for commercial confidentiality, the Group endeavours to provide its employees with information on matters that are of concern to them as employees. This has included regular meetings of established committees, consisting of representatives of management and staff and the Group welcomes staff participation in these and other forums.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to :

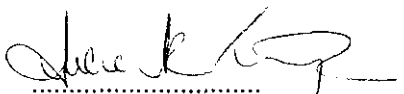
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, wbs, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



Mrs J K Temple - SECRETARY

Dated: 5 May 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF BLAZEFIELD HOLDINGS LIMITED

We have audited the financial statements of Blazefield Holdings Limited for the year ended 31 December 2003 on pages six to twenty six. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in the auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As described on page four the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Report of the Directors is not consistent with the financial statements, if the Company or the group 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 of the Company or group is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom 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 and the group 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 affairs of the Company and the group as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

wbs

Chartered Accountants

Registered Auditor
21-27 St. Paul's Street
Leeds
LS1 2ER

Dated: 5 May 2004

BLAZEFIELD HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	12 months 2003 £000	12 months 2003 £000	14 months 2002 £000	14 months 2002 £000
TURNOVER	2				
Continuing operations			**34,825**		41,984
Discontinued operations			**3,910**		13,403
			38,735		55,387
Operating costs			**(35,616)**		(51,665)
			3,119		3,722
Amortisation of goodwill	8		**(212)**		(235)
OPERATING PROFIT	3				
Continuing operations		**2,938**		3,661	
Discontinued operations		**(31)**		(174)	
			2,907		3,487
Profit on sale of Goodwill	4		**200**		-
Profit on sale of investment - discontinued operation			**-**		1,094
Interest payable (net)	5		**(1,633)**		(2,394)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			**1,474**		2,187
Tax on profit on ordinary activities	7		**(571)**		(160)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			**903**		2,027
Dividends			**-**		-
RETAINED PROFIT FOR THE PERIOD			**903**		2,027

The notes form part of these financial statements

BLAZEFIELD HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	12 months 2003 £000	14 months 2002 £000
PROFIT FOR THE FINANCIAL PERIOD	**903**	2,027
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	**903**	2,027
Prior year adjustment	-	(1,326)
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT	**903**	701

The notes form part of these financial statements

BLAZEFIELD HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS:			
Intangible assets	8	**3,672**	3,884
Tangible assets	9	**31,596**	33,687
Investments	12	**-**	-
		35,268	37,571
CURRENT ASSETS:			
Stocks	13	**367**	1,008
Debtors	14	**6,307**	3,982
Cash at bank and in hand		**150**	386
		6,824	5,376
CREDITORS: Amounts falling due within one year	15	**(13,623)**	(13,679)
NET CURRENT LIABILITIES:		**(6,799)**	(8,303)
TOTAL ASSETS LESS CURRENT LIABILITIES:		**28,469**	29,268
CREDITORS: Amounts falling due after more than one year	16	**(15,405)**	(17,570)
PROVISIONS FOR LIABILITIES AND CHARGES	19	**(3,292)**	(2,829)
NET ASSETS		**9,772**	8,869
CAPITAL AND RESERVES:			
Called up share capital	20	**50**	50
Profit and loss account	21	**9,722**	8,819
EQUITY SHAREHOLDERS' FUNDS:	22	**9,772**	8,869

ON BEHALF OF THE BOARD:

.....
G R Fearnley - CHAIRMAN

.....
S D Wilde - DIRECTOR

Approved by the Board on 5 May 2004

The notes form part of these financial statements

BLAZEFIELD HOLDINGS LIMITED

COMPANY BALANCE SHEET
31 DECEMBER 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS:			
Tangible assets	10	**28,633**	30,318
Investments	12	**5,075**	5,075
		33,708	35,393
CURRENT ASSETS:			
Stocks	13	**-**	606
Debtors	14	**8,328**	10,051
Cash at bank and in hand		**-**	-
		8,328	10,657
CREDITORS: Amounts falling due within one year	15	**(8,643)**	(8,242)
NET CURRENT ASSETS:		**(315)**	2,415
TOTAL ASSETS LESS CURRENT LIABILITIES:		**33,393**	37,808
CREDITORS: Amounts falling due after more than one year	16	**(22,671)**	(27,931)
PROVISIONS FOR LIABILITIES AND CHARGES	19	**(3,366)**	(2,803)
NET ASSETS		**7,356**	7,074
CAPITAL AND RESERVES:			
Called up share capital	20	**50**	50
Profit and loss account	21	**7,306**	7,024
EQUITY SHAREHOLDERS' FUNDS:	22	**7,356**	7,074

ON BEHALF OF THE BOARD:

.....

G R Fearnley - CHAIRMAN

.....

S D Wilde - DIRECTOR

Approved by the Board on 5 May 2004

The notes form part of these financial statements

BLAZEFIELD HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	12 months 2003 £000	14 months 2002 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**6,340**	7,273
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest element of finance lease and hire purchase rentals	**(1,300)**	(1,878)
Bank interest paid	**(204)**	(471)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	**(1,504)**	(2,349)
TAXATION		
Corporation tax received	**-**	461
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	**(358)**	(979)
Purchase of intangible fixed assets	**-**	(167)
Sale of tangible fixed assets	**1,737**	1,760
Capital grants received	**82**	703
NET CASH INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	**1,461**	1,317
ACQUISITIONS AND DISPOSALS		
Sale of subsidiary undertaking	**-**	1,267
NET CASH INFLOW FROM ACQUISTIONS AND DISPOSALS	**-**	1,267
NET CASH INFLOW BEFORE FINANCING	**6,297**	7,969
FINANCING		
Repayment of bank loans	**(2,921)**	(2,654)
New bank loans	**2,800**	-
Capital element of finance lease and hire purchase rentals	**(6,466)**	(6,960)
Movement on Directors' loans	**385**	750
NET CASH OUTFLOW FROM FINANCING	**(6,202)**	(8,864)
INCREASE (DECREASE) IN CASH	**95**	(895)

The notes form part of these financial statements

BLAZEFIELD HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	12 months 2003 £000	14 months 2002 £000
Operating profit	**2,907**	3,487
Depreciation	**3,376**	4,217
Amortisation of goodwill	**212**	235
Release of capital grants	**(72)**	(27)
Profit on disposal of tangible fixed assets	**(64)**	(207)
Decrease in stocks	**641**	18
(Increase) decrease in debtors	**(975)**	1,777
Increase (decrease) in creditors	**315**	(2,227)
Net cash inflow from operating activities	**6,340**	7,273

B. RECONCILIATION OF NET CASH TO MOVEMENT IN NET DEBT

	12 months 2003 £000	14 months 2002 £000
Increase (decrease) in cash in the period	**95**	(895)
Cash outflow from debt and finance leases	**6,202**	8,864
Decrease in debt from cashflows	**6,297**	7,969
New hire purchase and finance leases	**(3,750)**	(6,804)
Other non cash changes	**-**	2,935
Decrease in net debt	**2,547**	4,100
Net debt at 1 January 2003	**(23,926)**	(28,026)
Net debt at 31 December 2003	**(21,379)**	(23,926)

C. ANALYSIS OF CHANGES IN NET DEBT

	2002 £000	Cash flow £000	Other non cash £000	New finance leases £000	2003 £000
Cash and bank	386	(236)	-	-	**150**
Overdraft	(1,891)	331	-	-	**(1,560)**
	(1,505)	95	-	-	**(1,410)**
Bank loans	(2,796)	121	-	-	**(2,675)**
Hire purchase and finance leases	(18,475)	6,466	-	(3,750)	**(15,759)**
Directors' loans	(1,150)	(385)	-	-	**(1,535)**
Total	(23,926)	6,297	-	(3,750)	**(21,379)**

1. ACCOUNTING POLICIES

Accounting convention
The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Basis of consolidation
The consolidated accounts, prepared under acquisition accounting, incorporate the accounts of the Company and each of its subsidiary undertakings made up to 31 December 2003. Uniform accounting policies are followed throughout the group. The consolidated profit and loss account includes the results of businesses purchased from their effective dates of acquisition and excludes the results of businesses disposed of from their effective dates of disposal.

No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985. The Company's profit for the year after taxation was £282,000.

Leased assets
Assets held under finance leases (and similar hire purchase agreements) are included as tangible fixed assets and depreciated over their expected useful lives. The corresponding obligations relating to finance leases, net of finance charges allocated to future periods, are included in creditors. Finance costs are allocated to the profit and loss account in proportion to the capital outstanding.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation
Deferred tax is recognised on a full provision basis on all timing differences which have originated, but not reversed at the balance sheet date. Timing differences represent accumulated differences between the group's taxable profit and its financial profit. In the Company and its subsidiary undertakings the liability is assessed with reference to the individual company. On consolidation the liability is assessed with reference to the whole group. Deferred tax is calculated at rates at which it is estimated the tax will arise. Deferred tax assets are recognised to the extent they are more likely than not to be recovered.

Stocks
Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Fixed asset investments
Fixed asset investments are stated at cost less provision for any impairment.

Goodwill
Goodwill arising on acquisitions, being the excess of purchase price over the fair value of net assets acquired, was previously written off directly to reserves in the year of acquisition, and will be included in the calculation of profit or loss on disposal of the business to which it relates.

The Company has adopted Financial Reporting Standard 10 (FRS 10) for new acquisitions and goodwill arising is capitalised and amortised over the Directors' estimate of its useful economic life of 20 years. Goodwill is reviewed for impairment at the end of the first full year following the acquisition, and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Pensions
The group operates two funded defined benefit pension schemes. Contributions, which are determined after consultation with the scheme's actuary, are charged to the profit and loss account so as to spread the cost of pensions over the average expected working lives of employees in the scheme. The group also operates two defined contribution pension schemes. Contributions payable for the year are charged to the profit and loss account.

1. **ACCOUNTING POLICIES - continued**

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost. Depreciation is provided on a straight line basis to write off the cost less estimated residual value of fixed assets over their expected useful economic lives as follows:

Freehold land and buildings	50 years
Short leasehold land and buildings	6-10 years
Buses	7-15 years
Plant and equipment	3-10 years

Where grants are received they are added to deferred income and released to the profit and loss account over the expected useful economic life of the asset.

2. **TURNOVER**

All turnover (which is stated net of value added tax) and profit before taxation is derived from the group's principal activity, operating scheduled bus services. Group trading is split into two classes of business, being deregulated services, operating in Yorkshire, Lancashire, Hertfordshire and Cambridgeshire, and regulated services operating in London which were discontinued in the prior period.

	12 months 2003 £000	14 months 2002 £000
Deregulated services	**38,735**	44,348
Regulated services - discontinued	**-**	11,039
	38,735	55,387

3. **OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

		12 months 2003 £000	14 months 2002 £000
Auditors' remuneration	- audit	**60**	72
	- non audit	**17**	19
Staff	- wages and salaries	**19,228**	28,114
	- social security costs	**1,532**	2,129
	- other pension costs	**1,175**	1,190
	- redundancy/medical severance	**105**	131
Depreciation	- owned assets	**1,051**	843
	- leased assets	**2,325**	3,374
Operating leases	- land and buildings	**480**	827
	- other	**65**	667
Release of capital grants		**(72)**	(27)
Reimbursement of fuel duty		**(4,233)**	(6,229)
Profit on disposal of tangible fixed assets		**(64)**	(207)

4. **EXCEPTIONAL ITEMS**

The profit on sale of goodwill relates to the sale of discontinued businesses.

5. INTEREST PAYABLE (NET)

	12 months 2003 £000	14 months 2002 £000
On bank loans and overdrafts and other loans	**249**	449
On directors' loans	**85**	67
On finance leases and hire purchase agreements	**1,299**	1,878
	1,633	2,394

6. EMOLUMENTS OF DIRECTORS

	12 months 2003 £000	14 months 2002 £000
Aggregate emoluments	**344**	383
Company contributions to defined benefit pension scheme	**23**	13
Company contributions to defined contribution pension scheme	**25**	-
	392	396
Emoluments of highest paid director:		
Aggregate emoluments	**75**	88
Company contributions to defined benefit pension scheme	**-**	-
Company contributions to defined contribution pension scheme	**15**	-
	90	88

At 31 December 2003, four (2002 – four) directors had retirement benefits accruing under a defined benefit pension scheme. Two (2002 - two) directors had retirement benefits accruing under a defined contribution pension scheme.

7. TAXATION

The tax charge on the profit on ordinary activities for the period was as follows:

	12 months 2003 £000	14 months 2002 £000
Current year		
UK corporation tax	**-**	-
Prior year over provision	**-**	(461)
Total current tax	**-**	(461)
Deferred taxation – current year	**532**	621
Deferred taxation – prior year	**39**	-
	571	160

7. TAXATION - continued

Factors affecting the tax charge
The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	12 months 2003 £000	14 months 2002 £000
Profit on ordinary activities before tax	**1,474**	2,187
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 30%)	**442**	656
Effects of:		
Expenses not deductible for tax purposes	**90**	119
Timing differences as provided	**(532)**	(621)
Group relief amendments	**-**	175
Profit on sale of investments subject to rollover relief	**-**	(329)
Adjustments in respect of earlier years	**-**	(461)
Current tax charge	**-**	(461)

8. INTANGIBLE FIXED ASSETS

GROUP	**Goodwill £000**
Cost:	
At 1 January 2003 and 31 December 2003	**4,216**
Amortisation:	
At 1 January 2003	**332**
Charge for year	**212**
At 31 December 2003	**544**
Net book value:	
At 31 December 2003	**3,672**
At 31 December 2002	**3,884**

9. TANGIBLE FIXED ASSETS - GROUP

	Freehold land and buildings £000	Short leasehold land and buildings £000	Buses £000	Plant and equipment £000	Total £000
Cost:					
At 1 January 2003	4,271	464	38,657	2,563	45,955
Additions	5	26	3,685	392	4,108
Disposals	-	-	(5,363)	(333)	(5,696)
At 31 December 2003	4,276	490	36,979	2,622	44,367
Depreciation:					
At 1 January 2003	126	214	10,450	1,478	12,268
Charge for year	90	44	2,837	405	3,376
On disposals	-	-	(2,624)	(249)	(2,873)
At 31 December 2003	216	258	10,663	1,634	12,771
Net book value:					
At 31 December 2003	4,060	232	26,316	988	31,596
At 31 December 2002	4,145	250	28,207	1,085	33,687

The net book value of buses includes an amount of £22,472,000 (2002 - £26,243,000) in respect of assets held under finance leases and hire purchase agreements. The equivalent figure for the net book value of plant and equipment is £442,000 (2002 - £210,000).

10. TANGIBLE FIXED ASSETS - COMPANY

	Freehold property £000	Buses £000	Plant and equipment £000	Total £000
Cost:				
At 1 January 2003	2,000	38,657	213	40,870
Additions	-	3,685	248	3,933
Disposals	-	(5,363)	-	(5,363)
Inter company transfers	-	-	64	64
At 31 December 2003	2,000	36,979	525	39,504
Depreciation:				
At 1 January 2003	28	10,450	74	10,552
Charge for year	40	2,837	66	2,943
On disposals	-	(2,624)	-	(2,624)
At 31 December 2003	68	10,663	140	10,871
Net book value:				
At 31 December 2003	1,932	26,316	385	28,633
At 31 December 2002	1,972	28,207	139	30,318

The net book value of buses includes an amount of £22,472,000 (2002 - £26,243,000) in respect of assets held under finance leases and hire purchase agreements. The equivalent figure for the net book value of plant and equipment is £380,000 (2002 - £128,000).

11. CAPITAL COMMITMENTS

Capital expenditure on new buses contracted but not provided for by the group and company at the end of the financial year totalled £4,344,000 (2002 - £1,612,000).

12. FIXED ASSET INVESTMENTS

COMPANY

	Group fixed asset investments £000	Company shares in subsidiary undertakings £000
Cost:		
At 1 January 2003 and 31 December 2003	50	5,434
Provision:		
At 1 January 2003 and 31 December 2003	50	359
Net Book Value:		
At 31 December 2003	-	5,075
At 31 December 2002	-	5,075

The Company holds 100% of the ordinary share capital of the following subsidiary undertakings. All holdings are direct except where otherwise shown.

	Principal Activity
Blazefield Travel Group Limited	Holding company
Sovereign Bus & Coach Company Limited	Bus operator
Burnley & Pendle Travel Limited	Bus operator
Burnley and Pendle Transport Company Limited	Dormant
Blazefield Investments Limited	Investment company
Held by Blazefield Travel Group Limited:	
Bus & Coach Claims Investigations Limited	Claims handling agent
Blazefield Buses Limited	Holding company
Held by Blazefield Buses Limited:	
Keighley & District Travel Limited	Bus operator
Harrogate & District Travel Limited	Bus operator
Yorkshire Coastliner Limited	Bus operator
Lancashire United Limited	Bus operator
Welwyn & Hatfield Line Bus Company Limited	Dormant
Held by Welwyn & Hatfield Line Bus Company Limited:	
Heathrow Coach Services Limited	Dormant

13. STOCKS

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Property held for disposal	-	606	-	606
Materials	**213**	254	-	-
Fuel	**154**	148	-	-
	367	1,008	-	606

14. DEBTORS

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Trade debtors	**1,896**	810	**1,508**	243
Amounts owed by group undertaking	**-**	-	**2,331**	5,491
Group relief receivable	**-**	-	**791**	901
Other debtors	**580**	381	**2**	5
Prepayments and accrued income	**3,831**	2,791	**3,696**	3,411
	6,307	3,982	**8,328**	10,051

Included in other debtors for the group is £200,000 due after more than one year. Company amounts owed by group undertakings include £113,000 (2002 - £133,000) due after more than one year.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Bank overdrafts (note 17)	**1,560**	1,891	**1,589**	1,883
Bank loans (note 17)	**250**	512	**250**	512
Trade creditors	**2,121**	2,104	**129**	66
Amounts owed to group undertakings	**-**	-	**-**	-
Obligations under finance leases and hire purchase agreements (note 17)	**5,146**	5,253	**5,129**	5,223
Other taxes and social security	**1,553**	688	**555**	249
Other creditors	**1,046**	1,680	**102**	55
Deferred capital grants	**74**	72	**74**	72
Accruals and deferred income	**1,873**	1,479	**815**	182
	13,623	13,679	**8,643**	8,242

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Bank loans (note 17)	**2,425**	2,284	**2,425**	2,284
Amounts owed to group undertakings	**-**	-	**7,375**	10,455
Obligations under finance leases and hire purchase agreements (note 17)	**10,613**	13,222	**10,586**	13,178
Other creditors (note 18)	**1,535**	1,240	**1,535**	1,190
Deferred capital grants	**832**	824	**750**	824
	15,405	17,570	**22,671**	27,931

17. ANALYSIS OF BORROWINGS

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Due within one year:				
Bank overdrafts	**1,560**	1,891	**1,589**	1,883
Bank loans	**250**	512	**250**	512
Finance leases and hire purchase agreements	**5,146**	5,253	**5,129**	5,223
	6,956	7,656	**6,968**	7,618
Due from one to two years:				
Bank loans	**250**	512	**250**	512
Finance leases and hire purchase agreements	**4,650**	4,857	**4,633**	4,841
	4,900	5,369	**4,883**	5,353
Due from two to five years:				
Bank loans	**1,125**	1,262	**1,125**	1,262
Finance leases and hire purchase agreements	**5,963**	7,827	**5,953**	7,799
Directors loans	**785**	400	**785**	400
	7,873	9,489	**7,863**	9,461
Over five years:				
By instalments:				
Bank loans	**1,050**	510	**1,050**	510
Finance leases and hire purchase agreements	**-**	538	**-**	538
Not by instalments:				
Directors loans	**750**	750	**750**	750
	1,800	1,798	**1,800**	1,798
Total borrowings	**21,529**	24,312	**21,514**	24,230

Bank overdrafts and bank loans are secured by fixed and floating charges over the assets of group companies incorporating an unlimited inter company composite guarantee between group companies, debentures by all group companies and first legal charges over group freehold properties. Finance lease and hire purchase agreements are secured on the related assets purchased.

The bank loans due after five years are to be repaid in bi-annual instalments of £150,000. Interest is charged at 2% over the bank base rate. The directors' loans after five years have no fixed repayment terms. Interest is charged on these loans at 6% per annum.

18. TRANSACTIONS WITH DIRECTORS

Included within other group and Company creditors due after one year, are loans of £650,000 (2002 - £450,000) and £885,000 (2002 - £700,000) from G R Fearnley and S D Wilde respectively. Interest payable on these loans is shown in note 5. Included in Group and Company accruals and deferred income is £151,000 (2002 - £66,000) in respect of accrued interest not paid.

19. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Pension (Note 25) £000	Holiday pay £000	Deferred taxation £000	Total £000
At 1 January 2003	56	475	2,298	2,829
Profit and loss account	(28)	(80)	571	463
At 31 December 2003	28	395	2,869	3,292

COMPANY

	Deferred taxation £000
At 1 January 2003	2,803
Profit and loss account	563
At 31 December 2003	3,366

Deferred taxation represents:

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Accelerated capital allowances	**3,294**	3,908	**3,381**	3,994
Short term timing differences	**(28)**	(24)	**(15)**	(2)
Trading losses	**(397)**	(1,586)	**-**	(1,189)
	2,869	2,298	**3,366**	2,803

20. SHARE CAPITAL

The authorised, allotted, called-up and fully paid share capital at 31 December 2003 and 31 December 2002 was 50,000 ordinary shares of £1 each.

21. PROFIT AND LOSS ACCOUNT

	Group		Company	
	2003 £000	2002 £000	**2003 £000**	2002 £000
At 1 January 2003	**8,819**	6,792	**7,024**	5,620
Retained profit for the period	**903**	2,027	**282**	1,404
At 31 December 2003	**9,722**	8,819	**7,306**	7,024

The cumulative amount of goodwill which has been written off to reserves in earlier years is £5,466,000 (2002 - £5,466,000).

22. STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Profit for the financial period	**903**	2,027	**282**	1,404
Dividends	**-**	-	**-**	-
Net addition to shareholders' funds	**903**	2,027	**282**	1,404
Opening shareholders funds	**8,869**	6,842	**7,074**	5,670
Closing shareholders' funds - Equity	**9,772**	8,869	**7,356**	7,074

23. LEASING COMMITMENTS

At 31 December 2003 there were annual commitments under operating leases which expire:

	Land and buildings		Other	
	2003	2002	**2003**	2002
GROUP	**£000**	£000	**£000**	£000
Within one year	**-**	54	**2**	2
Between two and five years	**28**	52	**61**	61
In over five years	**423**	339	**-**	-
	451	445	**63**	63
COMPANY				
Within one year	**13**	13	**2**	2
Between two and five years	**-**	-	**55**	55
In over five years	**234**	215	**-**	-
	247	228	**57**	57

24. EMPLOYEES

The average number of persons employed during the year was as follows:

	Group	
	2003	2002
Drivers and conductors	**898**	1,231
Maintenance and engineers	**144**	173
Office and management	**138**	152
	1,180	1,556

25. PENSIONS

The group operates two pension schemes providing benefits based on Final Pensionable Salary. The assets of the schemes are held separately from the group. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Both schemes are closed to new entrants, and the current service costs will therefore increase as members approach retirement. One of the two schemes commenced on 16 July 2001, and because the assets and liabilities of the scheme are not considered to be material at 31 December 2003, it has not been considered by the actuary and is not included in the information set out below.

The latest full actuarial actuarial valuation of the principal scheme – Blazefield Holdings Limited Pension Plan ("the scheme") – was carried out at 1 November 2001. The assumptions which have the most effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6 per cent per annum, that salary increases would average 3.5 per cent per annum and that present and future pensions would increase at the rate of 3.0 per cent per annum.

The total market value of the assets of the scheme at 1 November 2002 was approximately £17,226,000. The value of these assets was sufficient to cover 100.5 per cent of the benefits accrued to members after allowing for expected future increases in earnings.

The charge to the Profit and Loss Account for pension contributions to these schemes in the year was £971,000 (2002 - £1,014,000).

The group also operates two defined contribution pension schemes. The charge to the Profit and Loss Account for pension contributions to these schemes in the year was £204,000 (2002 - £176,000). Included in Group and Company other creditors is £25,000 (2002 - £Nil) in respect of unpaid contributions.

FRS 17 disclosures

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP 24. Under the deferred accounting standard FRS 17, the following disclosures are included and specifically show the impact on the Balance Sheet of the new standard, should it be adopted.

A full actuarial valuation was carried out at 1 November 2001 and was updated to 31 December 2003 by S G Ingram : Actuary Ltd. The principal assumptions used by the actuary are shown overleaf.

25. **PENSIONS (continued)**

	At 31.12.03 % per annum	At 31.12.02 % per annum
Rate of increase in salaries	3.30	2.90
Rate of increase in pensions in payment	2.50	2.40
Discount rate	5.30	5.40
Inflation assumption	2.50	2.40
Expected average long-term rate of return on assets	6.50	5.50

The assets of the Scheme and the present value of the Scheme liabilities are shown in the table below, along with the deficit in the Scheme.

	Value at At 31.12.03 £000	Value at At 31.12.02 £000
Market value of assets	**16,383**	14,315
Actuarial value of liability	**(22,541)**	(20,100)
Deficit in the Scheme	**(6,158)**	(5,785)
Related deferred tax asset	**1,847**	1,736
Net pension liability	**(4,311)**	(4,049)

Analysis of the amount charged to operating profit:

	12 months 2003 £000	14 months 2002 £000
Current service cost	**679**	837
Total operating charge	**679**	837

Analysis of net return on pension scheme:

	12 months 2003 £000	14 months 2002 £000
Expected return on pension scheme assets	**790**	988
Interest on pension liabilities	**(1,112)**	(1,032)
Net return	**(322)**	(44)

25. PENSIONS (continued)

Analysis of amount recognised in the consolidated statement of total recognised gains and losses:

	12 months 2003 £000	14 months 2002 £000
Actual return less expected return on assets	**1,165**	(3,820)
Experience gains and losses on liabilities	**(11)**	24
Changes in assumptions	**(1,098)**	(937)
Actuarial loss recognised	**56**	(4,733)

Movement in deficit during the period:

	2003 £000	2002 £000
Deficit in scheme at the beginning of the period	**(5,785)**	(525)
Movement in the period:		
Current service cost	**(679)**	(837)
Contributions	**572**	354
Net return on assets	**(322)**	(44)
Actuarial loss	**56**	(4,733)
Deficit in scheme at the end the period	**(6,158)**	(5,785)

History of experience gains and losses

	12 months 2003 £000	14 months 2002 £000
Actual less expected return on assets	**1,165**	(3,820)
as a % of scheme assets	**7%**	-27%
Actual less expected change in liabilities	**(11)**	24
as a % of liabilities	**0%**	0%
Actuarial losses	**56**	(4,733)
as a % of liabilities	**0%**	-24%

Balance sheet presentation:

	Net assets		Profit & loss reserve	
	2003 £000	2002 £000	2003 £000	2002 £000
Opening balance per the accounts	**9,772**	8,869	**9,722**	8,819
Add pension liability under SSAP 24	**28**	56	**28**	56
Net assets excluding pension liability	**9,800**	8,925	**9,750**	8,875
Pension liability under FRS 17	**(4,311)**	(4,049)	**(4,311)**	(4,049)
Revised balance	**5,489**	4,876	**5,439**	4,826

26. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2003, the Group paid property operating lease rentals to the Blazefield Holdings Pension Plan totalling £71,000 (2002 - £72,500). Of the amount, £8,500 (2002 - £15,500) is included in Group accruals and deferred income at the balance sheet date.

27. CONTROLLING SHAREHOLDER

The Company's controlling shareholder is Mr G R Fearnley.