REGISTERED NUMBER: 2605399 (England and Wales)

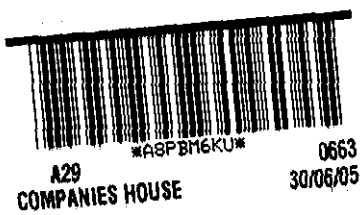
REPORT OF THE DIRECTORS AND

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

FOR

BLAZEFIELD HOLDINGS LIMITED



BLAZEFIELD HOLDINGS LIMITED

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BLAZEFIELD HOLDINGS LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2004

DIRECTORS:	G R Fearnley (Chairman) S D Wilde (Group Managing Director) D B Alexander D J Hurry 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:	Bentley Jennison Registered Auditor Chartered Accountants 21-27 St. Paul's Street Leeds LS1 2ER
BANKERS:	The Royal Bank of Scotland 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 2004

The directors present their report with the financial statements of the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITY

The principal activity of the Group is the operation of scheduled bus services in Yorkshire and Lancashire. The Group sold its operations in Hertfordshire in January 2005.

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 2004, 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. Worthwhile benefits are now being delivered through these partnerships including new bus shelters, raised kerbs for the increasing number of corridors on which 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 approximately 310 buses with an average fleet age of 6.2 years (2003 - 6.0 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 (2003 - 4.4 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. Amongst other training initiatives, the Group, in conjunction with Accrington and Rossendale College, has developed its own vocational qualification for drivers which identifies and assesses the application of key vocational skills required in the modern passenger transport industry.

In March 2004 Harrogate & District Travel's investment in new double deck buses for its interurban route no. 36 linking Ripon, Harrogate and Leeds marked a step change in the quality of service offered. The vehicles are fitted out to the highest specification for any buses operating within the United Kingdom including, on the upper deck, aircraft style seating with leather upholstery. This step change in quality coupled with extensive marketing and awareness campaigns has delivered an increase in passengers carried in excess of 12%. Other investment in the year saw the re-launch of Keighley's town network with investment not only in a fleet of new single deck buses but also in the services themselves with improved links and frequency enhancements. Patronage levels on this network had been decreasing over many years but since this re-launch in March 2004, numbers have increased by some 10%.

At the Bus Industry Awards in November 2004, Harrogate & District Travel won both the Marketing Award for its Route 36 and the CfIT Customer Service Award. This success is a tribute to the dedication and professionalism of the company's staff and it was particularly pleasing to receive the Customer Service Award.

On 4th January 2004, the Group's subsidiary, Sovereign Bus & Coach Company Limited, sold its St Albans, Hertfordshire based network of services. Sovereign's remaining operations centred on Stevenage and Hatfield were then sold to Arriva plc on 23rd January 2005. This sale was agreed in mid 2004 but was subject to the Competition Commission's clearance which was obtained in early January. Following this disposal, the Group has completed its divestment of its operations in the South of England.

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, further investment and network improvements are planned during 2005 whilst at the same time ensuring that all its networks deliver a high quality of operation. Following on from the success of Route 36, during 2005 two of the Group's other key interurban corridors (Keighley, Bingley to Bradford together with East Lancashire to Manchester) will be allocated similar vehicles.

In common with the rest of the UK bus industry, the Group is suffering cost pressures particularly in labour rates, pension fund contributions and fuel costs. In April 2004, employee contributions to the Blazefield Pension Plan were increased by 2% and following the latest actuarial review, the Group's subsidiaries have increased their contributions to this arrangement by 4% with effect from January 2005. In respect of the Blazefield 2001 Pension Scheme, both employer and employee contributions have increased by 1% with effect from April 2005. Both these arrangements are closed to new members.

The Group makes every effort to minimise the impact of all cost pressures whilst not adversely affecting the quality thresholds that underpin service networks. The increases however in fuel costs experienced since mid 2004 have adversely affected trading results and are continuing to do so into 2005. Fares increases are consequently being applied at a higher rate than would otherwise have been necessary to in part mitigate this pressure.

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 were 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 POLICIES

The Group strives to meet its business objectives by motivating and encouraging its employees to be responsive to the needs of its customers and continually improve operational performance. The Group is committed to providing equality of opportunity to employees and potential employees. This applies to appropriate training, career development and promotion for all employees regardless of physical ability, gender, sexual orientation, religion or ethnic origin.

EMPLOYEE INVOLVEMENT

The Group encourages employee involvement in its affairs. The Group and its subsidiary companies produce a range of internal newsletters and circulars which keep employees abreast of developments. Employees are encouraged to discuss matters of interest to them and subjects affecting day to day operations with management. Dialogue takes place regularly with trade unions, other employee representatives and employees generally on a wide range of issues. The Group welcomes staff participation in all these forums.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004

CORPORATE RESPONSIBILITY

Safety and security are of paramount importance to the Group, both for our employees and our customers. The Group and each operating subsidiary have a Health and Safety plan which supports the objective of continuous improvement in safety management. We closely monitor the frequency of accidents and focus resources and training to reduce those accidents which are preventable. Over 70% of our bus fleet is now equipped with CCTV coverage for the safety and security of our customers and staff. On the back of the Disability Discrimination Act we continue to incorporate many DDA compliant features into our buses and facilities and work closely with suppliers to achieve this.

Testing for the use of alcohol and drugs by employees is carried out regularly within our operations.

Our bus networks are integral to the communities in which we operate. Our services help reduce congestion, pollution and road traffic accidents. Consequently, we have a key role in helping local and central governments achieve their long-term sustainable development objectives. As part of our involvement with communities, all our subsidiaries engage with their local authorities and Passenger Transport Executives, Chambers of Trade and Commerce, bus user groups together with other relevant parties and provide support where practical. This can include financial donations, local sponsorship and support in kind.

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

On 23 July 2004, wbs announced their merger with Bentley Jennison. The firm will practise under the name of Bentley Jennison and the audit report has been signed accordingly. A resolution to re-appoint Bentley Jennison for the ensuing year will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD:



Mrs J K Temple - SECRETARY

Dated: 20 May 2005

BLAZEFIELD HOLDINGS LIMITED

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 2004 on pages six to twenty four. 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.

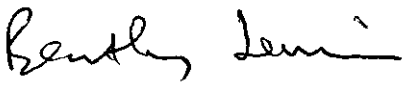
We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company or the 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 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

Dated: 20 May 2005

BLAZEFIELD HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £000	2004 £000	2003 £000	2003 £000
TURNOVER	2				
Continuing operations			**31,855**		34,825
Discontinued operations			**5,161**		3,910
			37,016		38,735
Operating costs			**(33,943)**		(35,616)
			3,073		3,119
Amortisation of goodwill	8		**(212)**		(212)
OPERATING PROFIT	3				
Continuing operations		**2,437**		2,938	
Discontinued operations		**424**		(31)	
			2,861		2,907
Profit on sale of Goodwill	4		**-**		200
Compensation for loss of office	4		**(160)**		-
Interest payable (net)	5		**(1,390)**		(1,633)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			**1,311**		1,474
Tax on profit on ordinary activities	7		**(725)**		(571)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			**586**		903
Dividends			**-**		-
RETAINED PROFIT FOR THE PERIOD			**586**		903

The notes form part of these financial statements

BLAZEFIELD HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2004

	Notes	2004 £000	2003 £000
FIXED ASSETS:			
Intangible assets	8	**3,460**	3,672
Tangible assets	9	**31,908**	31,596
Investments	12	**-**	-
		35,368	35,268
CURRENT ASSETS:			
Stocks	13	**358**	367
Debtors	14	**6,534**	8,614
Cash at bank and in hand		**106**	150
		6,998	9,131
CREDITORS: Amounts falling due within one year	15	**(13,082)**	(14,080)
NET CURRENT LIABILITIES:		**(6,084)**	(4,949)
TOTAL ASSETS LESS CURRENT LIABILITIES:		**29,284**	30,319
CREDITORS: Amounts falling due after more than one year	16	**(13,361)**	(15,405)
PROVISIONS FOR LIABILITIES AND CHARGES	19	**(5,565)**	(5,142)
NET ASSETS		**10,358**	9,772
CAPITAL AND RESERVES:			
Called up share capital	20	**50**	50
Profit and loss account	21	**10,308**	9,722
EQUITY SHAREHOLDERS' FUNDS:	22	**10,358**	9,772

ON BEHALF OF THE BOARD:

G R Fearnley - CHAIRMAN

S D Wilde - DIRECTOR

Approved by the Board on 20 May 2005

The notes form part of these financial statements

BLAZEFIELD HOLDINGS LIMITED

COMPANY BALANCE SHEET
31 DECEMBER 2004

	Notes	2004 £000	2003 £000
FIXED ASSETS:			
Tangible assets	10	**29,397**	28,633
Investments	12	**5,075**	5,075
		34,472	33,708
CURRENT ASSETS:			
Debtors	14	**8,431**	8,328
Cash at bank and in hand		**-**	-
		8,431	8,328
CREDITORS: Amounts falling due within one year	15	**(9,609)**	(8,643)
NET CURRENT LIABILITIES:		**(1,178)**	(315)
TOTAL ASSETS LESS CURRENT *LIABILITIES:*		**33,294**	33,393
CREDITORS: Amounts falling due after more than one year	16	**(19,910)**	(22,671)
PROVISIONS FOR LIABILITIES AND CHARGES	19	**(5,711)**	(3,366)
NET ASSETS		**7,673**	7,356
CAPITAL AND RESERVES:			
Called up share capital	20	**50**	50
Profit and loss account	21	**7,623**	7,306
EQUITY SHAREHOLDERS' FUNDS:	22	**7,673**	7,356

ON BEHALF OF THE BOARD:

G R Fearnley - CHAIRMAN

S D Wilde - DIRECTOR

Approved by the Board on 20 May 2005

The notes form part of these financial statements

BLAZEFIELD HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £000	2003 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**4,775**	6,340
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest element of finance lease and hire purchase rentals	**(1,122)**	(1,300)
Bank interest paid	**(287)**	(204)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	**(1,409)**	(1,504)
TAXATION		
Corporation tax paid	**-**	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	**(217)**	(358)
Sale of tangible fixed assets	**3,313**	1,737
Capital grants received	**-**	82
NET CASH INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	**3,096**	1,461
NET CASH INFLOW BEFORE FINANCING	**6,462**	6,297
FINANCING		
Repayment of bank loans	**(250)**	(2,921)
New bank loans	**-**	2,800
Capital element of finance lease and hire purchase payments	**(6,587)**	(6,466)
Movement on Directors' loans	**(35)**	385
NET CASH OUTFLOW FROM FINANCING	**(6,872)**	(6,202)
(DECREASE) INCREASE IN CASH	**(410)**	95

The notes form part of these financial statements

BLAZEFIELD HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

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

	2004 £000	2003 £000
Operating profit	**2,861**	2,907
Depreciation	**3,412**	3,376
Amortisation of goodwill	**212**	212
Release of capital grants	**(116)**	(72)
Loss (Profit) on disposal of tangible fixed assets	**239**	(64)
Exceptional items	**(160)**	-
Decrease in stocks	**9**	641
Decrease (increase) in debtors	**982**	(975)
(Decrease) increase in creditors	**(2,664)**	315
Net cash inflow from operating activities	**4,775**	6,340

B. RECONCILIATION OF NET CASH TO MOVEMENT IN NET DEBT

	2004 £000	2003 £000
(Decrease) Increase in cash in the period	**(410)**	95
Cash outflow from debt and finance leases	**6,872**	6,202
Decrease in debt from cashflows	**6,462**	6,297
New hire purchase and finance leases	**(5,883)**	(3,750)
Decrease in net debt	**579**	2,547
Net debt at 1 January 2004	**(21,379)**	(23,926)
Net debt at 31 December 2004	**(20,800)**	(21,379)

C. ANALYSIS OF CHANGES IN NET DEBT

	2003 £000	Cash flow £000	Other non cash £000	New finance leases £000	2004 £000
Cash and bank	150	(44)	-	-	**106**
Overdraft	(1,560)	(366)	-	-	**(1,926)**
	(1,410)	(410)	-	-	**(1,820)**
Bank loans	(2,675)	250	-	-	**(2,425)**
Hire purchase and finance leases	(15,759)	6,587	-	(5,883)	**(15,055)**
Directors' loans	(1,535)	35	-	-	**(1,500)**
Total	(21,379)	6,462	-	(5,883)	**(20,800)**

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 2004. 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 £317,000.

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.

3. OPERATING PROFIT

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

		2004	2003
		£000	£000
Auditors' remuneration	- audit	**62**	60
	- non audit	**14**	17
Staff	- wages and salaries	**18,265**	19,228
	- social security costs	**1,502**	1,532
	- other pension costs	**1,133**	1,175
	- redundancy/medical severance	**81**	105
Depreciation	- owned assets	**822**	1,051
	- leased assets	**2,590**	2,325
Operating leases	- land and buildings	**475**	480
	- other	**64**	65
Release of capital grants		**(116)**	(72)
Reimbursement of fuel tax		**(4,068)**	(4,233)
Loss (Profit) on disposal of tangible fixed assets		**239**	(64)

4. EXCEPTIONAL ITEMS

The profit on sale of goodwill in the prior year related to the sale of discontinued businesses.

Compensation for loss of office in the current year relates to a director who resigned during the year.

5. INTEREST PAYABLE (NET)

	2004 £000	2003 £000
On bank loans and overdrafts and other loans	222	249
On directors' loans	95	85
On finance leases and hire purchase agreements	1,122	1,299
Interest receivable	(49)	-
	1,390	1,633

6. EMOLUMENTS OF DIRECTORS

	2004 £000	2003 £000
Aggregate emoluments	334	344
Compensation for loss of office	160	-
Company contributions to defined benefit pension scheme	20	23
Company contributions to defined contribution pension scheme	29	25
	543	392
Emoluments of highest paid director:		
Aggregate emoluments	75	75
Company contributions to defined contribution pension scheme	15	15
	90	90

At 31 December 2004, three (2003 – four) directors had retirement benefits accruing under a defined benefit pension scheme. Two (2003 - 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:

	2004 £000	2003 £000
Current year		
UK Corporation tax	-	-
Total current tax	-	-
Deferred taxation – current year	747	532
Deferred taxation – prior year	(22)	39
	725	571

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:

	2004 £000	2003 £000
Profit on ordinary activities before tax	1,311	1,474
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%)	393	442
Effects of:		
Expenses not deductible for tax purposes	56	90
Timing differences as provided	(747)	(532)
Tax losses of subsidiary no longer available to the group	298	-
Current tax charge	-	-

8. INTANGIBLE FIXED ASSETS

GROUP	Goodwill £000
Cost:	
At 1 January 2004 and 31 December 2004	4,216
Amortisation:	
At 1 January 2004	544
Charge for year	212
At 31 December 2004	756
Net book value:	
At 31 December 2004	3,460
At 31 December 2003	3,672

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 2004	4,276	490	36,979	2,621	44,366
Additions	-	62	5,676	391	6,129
Disposals	(300)	-	(4,590)	(78)	(4,968)
At 31 December 2004	3,976	552	38,065	2,934	45,527
Depreciation:					
At 1 January 2004	216	258	10,663	1,633	12,770
Charge for year	90	51	2,913	358	3,412
On disposals	(43)	-	(2,459)	(61)	(2,563)
At 31 December 2004	263	309	11,117	1,930	13,619
Net book value:					
At 31 December 2004	3,713	243	26,948	1,004	31,908
At 31 December 2003	4,060	232	26,316	988	31,596

The net book value of buses includes an amount of £24,249,000 (2003 - £22,472,000) 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 £539,000 (2003 - £442,000).

10. TANGIBLE FIXED ASSETS – COMPANY

	Freehold property £000	Buses £000	Plant and equipment £000	Total £000
Cost:				
At 1 January 2004	2,000	36,979	525	39,504
Additions	-	5,676	296	5,972
Disposals	-	(4,590)	(16)	(4,606)
At 31 December 2004	2,000	38,065	805	40,870
Depreciation:				
At 1 January 2004	68	10,663	140	10,871
Charge for year	40	2,913	122	3,075
On disposals	-	(2,459)	(14)	(2,473)
At 31 December 2004	108	11,117	248	11,473
Net book value:				
At 31 December 2004	1,892	26,948	557	29,397
At 31 December 2003	1,932	26,316	385	28,633

The net book value of buses includes an amount of £24,249,000 (2003 - £22,472,000) 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 £506,000 (2003 - £380,000).

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 £5,903,000 (2003 - £4,344,000).

12. FIXED ASSET INVESTMENTS

COMPANY

	Group fixed asset investments £000	Company shares in subsidiary undertakings £000
Cost:		
At 1 January 2004 and 31 December 2004	50	5,434
Provision:		
At 1 January 2004 and 31 December 2004	50	359
Net Book Value:		
At 31 December 2004	-	5,075
At 31 December 2003	-	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	
	2004	2003
	£000	£000
Materials	**212**	213
Fuel	**146**	154
	358	367

14. DEBTORS

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Trade debtors	**324**	1,896	**35**	1,508
Amounts owed by group undertaking	**-**	-	**3,569**	2,331
Group relief receivable	**-**	-	**636**	791
Other debtors	**543**	580	**30**	2
Prepayments and accrued income	**5,667**	6,138	**4,161**	3,696
	6,534	8,614	**8,431**	8,328

Included in other debtors for the group is £152,000 due after more than one year. Company amounts owed by group undertakings include £2,575,000 due after more than one year.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Bank overdrafts (note 17)	**1,926**	1,560	**2,016**	1,589
Bank loans (note 17)	**250**	250	**250**	250
Directors loans (notes 17 & 18)	**500**	-	**500**	-
Trade creditors	**1,402**	2,121	**29**	129
Amounts owed to group undertakings	**-**	-	**400**	-
Obligations under finance leases and hire purchase agreements (note 17)	**5,608**	5,146	**5,597**	5,129
Other taxes and social security	**805**	1,553	**240**	555
Other creditors	**1,123**	1,046	**88**	102
Deferred capital grants	**52**	74	**52**	74
Accruals and deferred income	**1,416**	2,330	**437**	815
	13,082	14,080	**9,609**	8,643

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

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Bank loans (note 17)	**2,175**	2,425	**2,175**	2,425
Directors loans (notes 17 & 18)	**1,000**	1,535	**1,000**	1,535
Amounts owed to group undertakings	**-**	-	**6,564**	7,375
Obligations under finance leases and hire purchase agreements (note 17)	**9,447**	10,613	**9,432**	10,586
Deferred capital grants	**739**	832	**739**	750
	13,361	15,405	**19,910**	22,671

17. ANALYSIS OF BORROWINGS

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Due within one year:				
Bank overdrafts	**1,926**	1,560	**2,016**	1,589
Bank loans	**250**	250	**250**	250
Finance leases and hire purchase agreements	**5,608**	5,146	**5,597**	5,129
Directors loans	**500**	-	**500**	-
	8,284	6,956	**8,363**	6,968
Due from one to two years:				
Bank loans	**250**	250	**250**	250
Finance leases and hire purchase agreements	**3,817**	4,650	**3,806**	4,633
	4,067	4,900	**4,056**	4,883
Due from two to five years:				
Bank loans	**1,175**	1,125	**1,175**	1,125
Finance leases and hire purchase agreements	**5,630**	5,963	**5,626**	5,953
Directors loans	**250**	785	**250**	785
	7,055	7,873	**7,051**	7,863
Over five years:				
By instalments:				
Bank loans	**750**	1,050	**750**	1,050
Finance leases and hire purchase agreements	**-**	-	**-**	-
Not by instalments:				
Directors loans	**750**	750	**750**	750
	1,500	1,800	**1,500**	1,800
Total borrowings	**20,906**	21,529	**20,970**	21,514

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 (2003 - £650,000) and £850,000 (2003 - £885,000) 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 £245,000 (2003 - £150,000) in respect of accrued interest not paid.

19. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Pension (Note 25) £000	Third party accidents £000	Deferred taxation £000	Total £000
At 1 January 2004	28	2,245	2,869	5,142
Settled	-	(910)	-	(910)
Profit and loss account	(28)	636	725	1,333
At 31 December 2004	-	1,971	3,594	5,565

COMPANY

	Third party accidents £000	Deferred taxation £000	Total £000
At 1 January 2004	-	3,366	3,366
Transfer from subsidiaries	2,245	-	2,245
Settled	(910)	-	(910)
Profit and loss account	636	374	1,010
At 31 December 2004	1,971	3,740	5,711

Deferred taxation represents:

	Group		Company	
	2004 £000	2003 £000	**2004 £000**	2003 £000
Accelerated capital allowances	**3,649**	3,294	**3,762**	3,381
Short term timing differences	**(55)**	(28)	**(22)**	(15)
Trading losses	**-**	(397)	**-**	-
	3,594	2,869	**3,740**	3,366

20. SHARE CAPITAL

The authorised, allotted, called-up and fully paid share capital at 31 December 2004 and 31 December 2003 was 50,000 ordinary shares of £1 each.

21. PROFIT AND LOSS ACCOUNT

	Group		Company	
	2004 £000	2003 £000	**2004 £000**	2003 £000
At 1 January 2004	**9,722**	8,819	**7,306**	7,024
Retained profit for the year	**586**	903	**317**	282
At 31 December 2004	**10,308**	9,722	**7,623**	7,306

The cumulative amount of goodwill which has been written off to reserves in earlier years is £5,466,000 (2003 - £5,466,000).

22. STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Profit for the financial year	**586**	903	**317**	282
Dividends	**-**	-	**-**	-
Net addition to shareholders' funds	**586**	903	**317**	282
Opening shareholders funds	**9,772**	8,869	**7,356**	7,074
Closing shareholders' funds - Equity	**10,358**	9,772	**7,673**	7,356

23. LEASING COMMITMENTS

At 31 December 2004 there were annual commitments under operating leases which expire:

	Land and buildings		Other	
	2004	2003	**2004**	2003
GROUP	**£000**	£000	**£000**	£000
Within one year	**83**	-	**56**	2
Between two and five years	**32**	28	**7**	61
In over five years	**277**	423	**-**	-
	392	451	**63**	63
COMPANY				
Within one year	**13**	13	**55**	2
Between two and five years	**-**	-	**-**	55
In over five years	**234**	234	**-**	-
	247	247	**55**	57

24. EMPLOYEES

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

	Group	
	2004	2003
Drivers and conductors	**798**	898
Maintenance and engineers	**127**	144
Office and management	**121**	138
	1,046	1,180

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 2004, 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 as at 1 January 2004. 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 6.0 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 2.5 per cent per annum.

The total market value of the assets of the scheme at 1 January 2004 was approximately £16,502,000. The value of these assets was sufficient to cover 77.5 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 £924,000 (2003 - £971,000).

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 £209,000 (2003 - £204,000). Included in Group and Company other creditors is £54,000 (2003 - £25,000) 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 show the impact on the financial statements of the new standard, should it be adopted.

A full actuarial valuation was carried out as at 1 January 2004 and was updated to 31 December 2004 by S G Ingram : Actuary Ltd. The principal assumptions used by the actuary are shown overleaf.

25. **PENSIONS (continued)**

	2004 **% pa**	2003 %pa	2002 %pa
Rate of increase in salaries	**3.30**	3.30	2.90
Rate of increase in pensions in payment	**2.50**	2.50	2.40
Discount rate	**5.30**	5.30	5.40
Inflation assumption	**2.50**	2.50	2.40
Expected average long-term rate of return on assets	**6.50**	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 2004 £000	Value 2003 £000	Value 2002 £000
Market value of assets	**17,941**	16,383	14,315
Actuarial value of liability	**(25,018)**	(22,541)	(20,100)
Deficit in the Scheme	**(7,077)**	(6,158)	(5,785)
Related deferred tax asset	**2,123**	1,847	1,736
Net pension liability	**(4,954)**	(4,311)	(4,049)

Analysis of the amount charged to operating profit:

	2004 £000	2003 £000	14 months 2002 £000
Current service cost	**464**	679	837
Total operating charge	**464**	679	837

Analysis of net return on pension scheme:

	2004 £000	2003 £000	14 months 2002 £000
Expected return on pension scheme assets	**1,068**	790	988
Interest on pension liabilities	**(1,213)**	(1,112)	(1,032)
Net return	**(145)**	(322)	(44)

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

	2004 £000	2003 £000	14 months 2002 £000
Actual return less expected return on assets	**393**	1,165	(3,820)
Experience gains and losses on liabilities	**310**	(11)	24
Changes in assumptions	**(1,524)**	(1,098)	(937)
Actuarial loss recognised	**(821)**	56	(4,733)

25. **PENSIONS (continued)**

Movement in deficit during the year:

	2004	2003	2002
	£000	£000	£000
Deficit in scheme at the beginning of the year	**(6,158)**	(5,785)	(525)
Movement in the year:			
Current service cost	**(464)**	(679)	(837)
Contributions	**511**	572	354
Net return on assets	**(145)**	(322)	(44)
Actuarial loss	**(821)**	56	(4,733)
Deficit in scheme at the end of the year	**(7,077)**	(6,158)	(5,785)

History of experience gains and losses:

	2004	2003	14 months 2002
	£000	£000	£000
Actual less expected return on assets	**393**	1,165	(3,820)
as a % of scheme assets	**2%**	7%	-27%
Actual less expected change in liabilities	**310**	(11)	24
as a % of liabilities	**1%**	0%	0%
Actuarial losses	**(821)**	56	(4,733)
as a % of liabilities	**3%**	0%	-24%

Balance sheet presentation:

	Net assets		**Profit & loss reserve**	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Opening balance per the accounts	**10,358**	9,772	**10,308**	9,722
Add pension liability under SSAP 24	**-**	28	**-**	28
Net assets excluding pension liability	**10,358**	9,800	**10,308**	9,750
Pension liability under FRS 17	**(4,954)**	(4,311)	**(4,954)**	(4,311)
Revised balance	**5,404**	5,489	**5,354**	5,439

26. **RELATED PARTY TRANSACTIONS**

During the year ended 31 December 2004, the Group paid property operating lease rentals to the Blazefield Holdings Pension Plan totalling £63,000 (2003 - £71,000). Of this amount, £6,300 is included in Group prepayments and accrued income (2003 - £8,500 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.