

ARRIVA LONDON NORTH LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2005



ARRIVA LONDON NORTH LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

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ARRIVA LONDON NORTH LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

P J Batty
R A Bowler
A Depledge
M D J Yexley
J E Quantrell
A J Sewell
I R Tarran

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
NE1 8HW

ARRIVA LONDON NORTH LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2005.

Principal activities and business review

The principal activity of the company continues to be the operation of bus and coach services.

The directors consider the state of the company's affairs to be satisfactory and there have been no material changes since the balance sheet date.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year, are shown in the attached financial statements.

The directors do not recommend the payment of a dividend (2004:£Nil).

Directors

The directors who served the company during the year were as follows:

P J Batty
R A Bowler
A Depledge
M D J Yexley
J E Quantrell
A J Sewell
I R Tarran
D G Johnstone (resigned 29th April 2005)
D P Turner (resigned 29th April 2005)

None of the directors had any interest in the share capital of the company during the year.

The interests of R A Bowler in the ordinary share capital of Arriva plc are shown in the directors' report of Arriva Passenger Services Limited, the immediate parent company.

M D J Yexley held 19,629 ordinary shares at 31 December 2005 and 20,017 at 31 December 2004 in Arriva plc, the ultimate parent company.

I R Tarran held 2,000 ordinary shares at 31 December 2004 and 31 December 2005 in Arriva plc, the ultimate parent company.

None of the other director's had any interest in the ordinary share capital of Arriva plc, the ultimate parent company.

ARRIVA LONDON NORTH LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2005

Details of the directors share options in Arriva plc are shown in the table below:

| Name | Date of grant | Exercise price | Options at 01/01/05 | Number granted during year | Number lapsed / exercised during year | Options at 31/12/05 | Market value as at date of exercise | Market value as at date of grant | Period of exercise |
|---------------|---------------|----------------|---------------------|----------------------------|---------------------------------------|---------------------|-------------------------------------|----------------------------------|--------------------------|
| I R Tarran | 04/03/1998 | 418.50 | 5,000 | - | - | 5,000 * | - | 427.00 | 04/03/2001 to 04/03/2008 |
| | 27/04/1999 | 386.50 | 4,000 | - | (4,000) | - + | 571.50 | 396.00 | 27/04/2002 to 27/04/2006 |
| | 09/03/2001 | 272.55 | 8,000 | - | (8,000) | - + | 571.50 | 294.75 | 09/03/2004 to 09/03/2008 |
| | 23/05/2002 | 354.90 | 5,000 | - | (5,000) | - + | 571.50 | 350.00 | 23/05/2005 to 23/05/2009 |
| | 06/03/2003 | 283.00 | 5,000 | - | - | 5,000 + | - | 302.00 | 06/03/2006 to 06/03/2010 |
| | 15/03/2004 | 373.00 | 5,000 | - | - | 5,000 + | - | 372.00 | 15/03/2007 to 15/03/2011 |
| | 14/03/2005 | 548.00 | - | 5,000 | - | 5,000 + | - | 547.40 | 14/03/2008 to 14/03/2012 |
| J E Quantrell | 04/03/1998 | 418.50 | 5,000 | - | - | 5,000 * | - | 427.00 | 04/03/2001 to 04/03/2008 |
| | 27/04/1999 | 386.50 | 3,000 | - | (3,000) | - + | 545.50 | 396.00 | 27/04/2002 to 27/04/2006 |
| | 06/03/2003 | 283.00 | 5,000 | - | - | 5,000 + | - | 302.00 | 06/03/2006 to 06/03/2010 |
| | 15/03/2004 | 373.00 | 2,400 | - | - | 2,400 * | - | 372.00 | 15/03/2007 to 15/03/2014 |
| | 15/03/2004 | 373.00 | 2,600 | - | - | 2,600 + | - | 372.00 | 15/03/2007 to 15/03/2011 |
| | 14/03/2005 | 548.00 | - | 5,000 | - | 5,000 + | - | 547.40 | 14/03/2008 to 14/03/2012 |
| A J Sewell | 09/03/2001 | 272.55 | 5,000 | - | - | 5,000 * | - | 294.75 | 09/03/2004 to 09/03/2011 |
| | 23/05/2002 | 354.90 | 5,000 | - | - | 5,000 + | - | 350.00 | 23/05/2005 to 23/05/2009 |
| | 15/03/2004 | 373.00 | 5,000 | - | - | 5,000 + | - | 372.00 | 15/03/2007 to 15/03/2011 |
| | 14/03/2005 | 548.00 | - | 5,000 | - | 5,000 + | - | 547.40 | 14/03/2008 to 14/03/2012 |
| P Batty | 06/03/2003 | 283.00 | 5,000 | - | - | 5,000 * | - | 294.75 | 06/03/2006 to 06/03/2013 |
| | 15/03/2004 | 373.00 | 751 | - | - | 751 + | - | 372.00 | 15/03/2007 to 15/03/2011 |
| | 15/03/2004 | 373.00 | 4,249 | - | - | 4,249 * | - | 372.00 | 15/03/2007 to 15/03/2014 |
| | 14/03/2005 | 548.00 | - | 5,000 | - | 5,000 + | - | 547.40 | 14/03/2008 to 14/03/2012 |

* Executive Share Option Scheme

+ Share Incentive Scheme

ARRIVA LONDON NORTH LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2005

The interests of the directors in conditional share awards under the terms of The Arriva plc Long Term Incentive Plan 2000 (The 'LTIP') are as follows:

| | Balance at 1 January 2005 | Shares vesting 3 March 2005 | Balance at 31 December 2005 |
|--------------|---------------------------------|-----------------------------------|-----------------------------------|
| M D J Yexley | 30,659 | (13,397) | 17,262 |
| A Depledge | 25,757 | (11,130) | 14,627 |
| A J Sewell | 11,240 | - | 11,240 |

The market value of the ordinary share on the dates of awards are as follows:

| Award date | Performance Measurement period | Market value at date of award (p) |
|--------------|-------------------------------------|-----------------------------------|
| 23 May 2002 | Three years ending 31 December 2004 | 350.00 |
| 6 March 2003 | Three years ending 31 December 2005 | 302.00 |

The market price of an Arriva plc ordinary share on the date of vesting was as follows:

| Award date | Date of vesting | Market price on date of vesting (p) |
|--------------|-----------------|--|
| 23 May 2002 | 3 March 2005 | 546.00 |
| 6 March 2003 | 3 March 2006 | 664.50 |

Details of the performance criteria relating to The LTIP are shown in the accounts of Arriva plc.

ARRIVA LONDON NORTH LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2005

Policy on the payment of creditors

The company's policy regarding the payment of suppliers is to agree terms of payment at the start of business with each supplier to ensure that the supplier is made aware of the payment terms, and to pay in accordance with its contractual or legal obligations. At 31 December 2005 the company's trade creditors outstanding represented approximately 10 days' purchases (2004: 9 days).

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 the 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 year ended 31 December 2005 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.

Disabled employees

The company continues to give full and fair consideration to applications for employment by disabled persons, having regard to their respective aptitudes and abilities. The company's policy includes, where applicable, the continued employment of those who may become disabled during their employment.

Employee involvement

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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The company has elected to dispense with the requirement to appoint auditors annually.

Signed by order of the board



E A Thorpe
Company Secretary

1 March 2006

ARRIVA LONDON NORTH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIVA LONDON NORTH LIMITED

YEAR ENDED 31 DECEMBER 2005

We have audited the financial statements of Arriva London North Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 person to whom this report is shown or into 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 other transactions is not disclosed.

We read the directors' report 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS LLP
Chartered Accountants & Registered Auditors
Newcastle upon Tyne

20 October 2006

ARRIVA LONDON NORTH LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2005

| | Note | 2005 £000 | 2004 £000 |
|--|------|---------------|---------------|
| Turnover | 2 | 153,841 | 137,550 |
| Cost of sales | | (123,783) | (110,708) |
| Gross profit | | 30,058 | 26,842 |
| Administrative expenses | | (14,972) | (13,469) |
| Other operating income | | 276 | - |
| Operating profit | 3 | 15,362 | 13,373 |
| Interest payable and similar charges | 6 | (6,724) | (4,635) |
| Profit on ordinary activities before taxation | | 8,638 | 8,738 |
| Tax on profit on ordinary activities | 7 | (3,263) | (1,181) |
| Retained profit for the financial year | 18 | 5,375 | 7,557 |

All of the activities of the company are classed as *continuing*.

The company has no recognised gains or losses other than the results for the year as set out above.

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

The notes on page 7 form part of these financial statements.

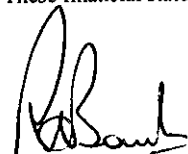
ARRIVA LONDON NORTH LIMITED

BALANCE SHEET

31 DECEMBER 2005

| | Note | 2005 £000 | 2004 £000 |
|--|------|-----------------|----------------|
| Fixed assets | | | |
| Intangible assets | 8 | 5,374 | 5,787 |
| Tangible assets | 9 | 103,193 | 84,857 |
| | | <u>108,567</u> | <u>90,644</u> |
| Current assets | | | |
| Stocks | 10 | 1,530 | 1,339 |
| Debtors | 11 | 142,339 | 72,159 |
| Cash at bank | | 763 | 481 |
| | | <u>144,632</u> | <u>73,979</u> |
| Creditors: Amounts falling due within one year | 12 | (177,286) | (78,866) |
| Net current liabilities | | <u>(32,654)</u> | <u>(4,887)</u> |
| Total assets less current liabilities | | <u>75,913</u> | <u>85,757</u> |
| Creditors: Amounts falling due after more than one year | 13 | (24,227) | (42,563) |
| | | <u>51,686</u> | <u>43,194</u> |
| Provisions for liabilities | | | |
| Deferred taxation | 16 | (12,829) | (9,712) |
| Net assets | | <u>38,857</u> | <u>33,482</u> |
| Capital and reserves | | | |
| Called-up equity share capital | 17 | 8,141 | 8,141 |
| Share premium account | 18 | 8,141 | 8,141 |
| Profit and loss account | 18 | 22,575 | 17,200 |
| Equity shareholders' funds | 19 | <u>38,857</u> | <u>33,482</u> |

These financial statements were approved by the directors on 1 March 2006 and are signed on their behalf by:



R A Bowler
Director

The notes on pages 9 to 16 form part of these financial statements.

ARRIVA LONDON NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, using 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 Financial Reporting Standards No. 1, the company is exempt from preparing a cash flow statement.

Turnover

Turnover consists of the gross revenue for road passenger transport together with the aggregate amounts receivable for other goods and services supplied in the ordinary course of the business, excluding Value Added Tax.

Intangible fixed assets

Intangible fixed assets, which relate to licences for the use of the Arriva brand name, are being amortised through the profit and loss account over the licence period of 15 years.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---|--------------------------------|
| Plant, machinery, fixtures and motor vehicles | - 10% to 48% per annum on cost |
| Public service vehicles | - Over periods up to 15 years |

Stocks

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

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities, or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

ARRIVA LONDON NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

1. Accounting policies (*continued*)

Leasing and hire purchase commitments

Where assets are financed by leasing agreements ('finance leases') the assets are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

Arriva plc operates retirement benefit schemes, both defined benefit and defined contribution schemes, which cover employees of the company. Contributions made to the defined benefit scheme are based on the cost of providing pensions across all participating group companies. Costs are not determined for each individual company. Contributions payable by the company are charged to the profit and loss account in the period in which they fall due. Contributions payable under the defined contribution scheme are charged to the profit and loss account as they arise.

Deferred taxation

The accounting policy is to provide 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 or on the undistributed profits of overseas subsidiaries. Deferred tax is calculated at the rates at which it is estimated the tax will arise. The deferred tax provision is not discounted to net present value.

2. Turnover

The turnover was derived from the company's principal activity which was carried out wholly in the United Kingdom.

3. Operating profit

Operating profit is stated after charging/(crediting):

| | 2005 | 2004 |
|--|-------|-------|
| | £000 | £000 |
| Amortisation of intangible fixed assets | 413 | 413 |
| Depreciation of owned fixed assets | 3,162 | 1,545 |
| Depreciation of assets held under hire purchase and finance lease agreements | 6,718 | 6,759 |
| Profit on disposal of fixed assets | (276) | (33) |
| Auditors' remuneration | | |
| - as auditor | 45 | 45 |
| Operating lease costs: | | |
| Land and buildings | 2,038 | 1,764 |
| Plant and equipment | 36 | 25 |

ARRIVA LONDON NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

4. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

| | 2005 | 2004 |
|----------------|--------------|--------------|
| | No | No |
| Drivers | 2,391 | 2,413 |
| Engineering | 294 | 273 |
| Administration | 329 | 337 |
| | <u>3,014</u> | <u>3,023</u> |

The aggregate payroll costs of the above were:

| | 2005 | 2004 |
|-----------------------|----------------|---------------|
| | £000 | £000 |
| Wages and salaries | 96,366 | 86,111 |
| Social security costs | 9,447 | 8,306 |
| Other pension costs | 2,678 | 2,533 |
| | <u>108,491</u> | <u>96,950</u> |

5. Directors' emoluments

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

| | 2005 | 2004 |
|-----------------------|------------|------------|
| | £000 | £000 |
| Emoluments receivable | <u>590</u> | <u>573</u> |

Emoluments of highest paid director:

| | 2005 | 2004 |
|--|------------|------------|
| | £000 | £000 |
| Total emoluments (excluding pension contributions) | <u>187</u> | <u>183</u> |

Benefits are accruing to 7 directors (2004 - 7) under defined benefit pension schemes and, at the year end the accrued pension in respect of the highest paid director amounted to £20,000 (2004 - £18,000).

6. Interest payable and similar charges

| | 2005 | 2004 |
|---|--------------|--------------|
| | £000 | £000 |
| Bank interest payable | 4,151 | 1,504 |
| Hire purchase and finance lease charges | 2,573 | 3,131 |
| | <u>6,724</u> | <u>4,635</u> |

ARRIVA LONDON NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

7. Tax on profit on ordinary activities

(a) Analysis of charge in the year

| | 2005 £000 | 2004 £000 |
|--------------------------------------|--------------|--------------|
| Current tax: | | |
| In respect of the year: | | |
| UK corporation tax | 146 | 618 |
| Deferred tax: | | |
| Current year | 2,501 | 2,098 |
| Prior year | 616 | (1,535) |
| Total deferred tax (note 16) | 3,117 | 563 |
| Tax on profit on ordinary activities | <u>3,263</u> | <u>1,181</u> |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%). The differences are explained below:

| | 2005 £000 | 2004 £000 |
|---|--------------|--------------|
| Profit on ordinary activities before taxation | <u>8,638</u> | <u>8,738</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% | 2,591 | 2,621 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1 | - |
| Difference between depreciation and capital allowances | (2,501) | (2,098) |
| Adjustment to tax charge in respect of prior periods | 55 | 170 |
| Difference between tax written down value and net book value of assets sold and re-acquired | - | (1,281) |
| Transfer of assets at tax written down value from a fellow group company | - | 1,206 |
| Total current tax (note 7(a)) | <u>146</u> | <u>618</u> |

(c) Factors that may affect future tax charges

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

ARRIVA LONDON NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

8. Intangible assets

| | Total £000 |
|--|---------------|
| Cost | |
| At 1 January 2005 and 31 December 2005 | <u>6,200</u> |
| Amortisation | |
| At 1 January 2005 | 413 |
| Charge for the year | 413 |
| At 31 December 2005 | <u>826</u> |
| Net book value | |
| At 31 December 2005 | <u>5,374</u> |
| At 31 December 2004 | <u>5,787</u> |

9. Tangible assets

| | Plant, machinery, fixtures & motor vehicles £000 | Public service vehicles £000 | Total £000 |
|-----------------------|--|------------------------------------|----------------|
| Cost | | | |
| At 1 January 2005 | 6,764 | 115,758 | 122,522 |
| Additions | 746 | 26,601 | 27,347 |
| Disposals | (22) | (6,834) | (6,856) |
| Transfers | 88 | 339 | 427 |
| At 31 December 2005 | <u>7,576</u> | <u>135,864</u> | <u>143,440</u> |
| Depreciation | | | |
| At 1 January 2005 | 3,967 | 33,698 | 37,665 |
| Charge for the year | 527 | 9,353 | 9,880 |
| On disposals | (20) | (6,663) | (6,683) |
| Transfers | - | (615) | (615) |
| At 31 December 2005 | <u>4,474</u> | <u>35,773</u> | <u>40,247</u> |
| Net book value | | | |
| At 31 December 2005 | <u>3,102</u> | <u>100,091</u> | <u>103,193</u> |
| At 31 December 2004 | <u>2,797</u> | <u>82,060</u> | <u>84,857</u> |

Hire purchase and finance lease agreements

Included within the net book value of £103,193,000 is £59,942,000 (2004 - £72,873,000) relating to assets held under hire purchase and finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £6,718,000 (2004 - £6,759,000).

Capital commitments

| | 2005 £000 | 2004 £000 |
|---|--------------|---------------|
| Contracted but not provided for in the financial statements | <u>263</u> | <u>17,245</u> |

ARRIVA LONDON NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

10. Stocks

| | 2005 | 2004 |
|---------------|--------------|--------------|
| | £000 | £000 |
| Raw materials | <u>1,530</u> | <u>1,339</u> |

11. Debtors

| | 2005 | 2004 |
|------------------------------------|----------------|---------------|
| | £000 | £000 |
| Trade debtors | 1,163 | 1,129 |
| Amounts owed by group undertakings | 121,213 | 53,609 |
| Other debtors | 6,724 | 6,401 |
| Prepayments and accrued income | <u>13,239</u> | <u>11,020</u> |
| | <u>142,339</u> | <u>72,159</u> |

12. Creditors: Amounts falling due within one year

| | 2005 | 2004 |
|--|----------------|---------------|
| | £000 | £000 |
| Bank loans and overdrafts | 101,346 | 36,501 |
| Trade creditors | 3,026 | 2,743 |
| Amounts owed to group undertakings | 36,042 | 3,865 |
| Corporation tax | 856 | 710 |
| Other taxation and social security | 6,386 | 5,671 |
| Hire purchase and finance lease agreements | 17,415 | 18,184 |
| Other creditors | 3,919 | 3,736 |
| Accruals and deferred income | <u>8,296</u> | <u>7,456</u> |
| | <u>177,286</u> | <u>78,866</u> |

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

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

| | 2005 | 2004 |
|--|---------------|---------------|
| | £000 | £000 |
| Hire purchase and finance lease agreements | 22,771 | 41,340 |
| Accruals and deferred income | <u>1,456</u> | <u>1,223</u> |
| | <u>24,227</u> | <u>42,563</u> |

14. Commitments under hire purchase and finance lease agreements

Future commitments under hire purchase and finance lease agreements are as follows:

| | 2005 | 2004 |
|---------------------------------------|---------------|---------------|
| | £000 | £000 |
| Amounts payable within 1 year | 17,415 | 18,184 |
| Amounts payable between 1 and 5 years | <u>22,771</u> | <u>41,340</u> |
| | <u>40,186</u> | <u>59,524</u> |

Hire purchase and finance lease balances are secured by charges over the related assets.

ARRIVA LONDON NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

15. Pensions

At 31 December 2005 the ultimate parent company, Arriva plc, operated both defined benefit and defined contribution retirement benefit schemes providing benefits to certain employees within Arriva London North Limited. The schemes are financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

Contributions to the defined benefit scheme, the Arriva London North & Arriva London South Pension Scheme, are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 5th April 2003, using the Projected Unit Method. The principal actuarial assumptions were that:

- (i) the annual rate of return on investment would be 2.75 per cent higher than the annual increase in total pensionable remuneration of 3.75 per cent; and
- (ii) there would be no variation from a scheme's rules to pensions in payment.

On the basis of these assumptions the actuarial value of the funds at 5th April 2003 was sufficient to cover 82 per cent of the benefits then accrued to members. The market value of the Scheme's assets at 5th April 2003 was £34 million.

The pensions cost charge for the year represents contributions payable by the company to both schemes and amount to £2,678,000 (2004: £2,533,000).

FRS 17 'Retirement Benefits'

The company makes contributions to a defined benefit scheme, the Arriva London North & Arriva London South Pension Scheme which is operated by the ultimate parent company, Arriva plc. Other companies within the Arriva Group make contributions to the Scheme, therefore it is not possible for the company to identify its share of the underlying assets and liabilities as at 31 December 2005.

16. Deferred taxation

The movement in the deferred taxation provision during the year was:

| | 2005 |
|--|---------------|
| | £000 |
| Provision brought forward | 9,712 |
| Profit and loss account movement arising during the year | 3,117 |
| Provision carried forward | <u>12,829</u> |

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

| | 2005 | 2004 |
|---|---------------|--------------|
| | £000 | £000 |
| Excess of taxation allowances over depreciation on fixed assets | 12,829 | 9,729 |
| Other timing differences | - | (17) |
| | <u>12,829</u> | <u>9,712</u> |

ARRIVA LONDON NORTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

17. Called-up equity share capital

Authorised share capital:

| | 2005 | 2004 |
|---------------------------------------|-------------------|-------------------|
| | £ | £ |
| 21,000,000 Ordinary shares of £1 each | <u>21,000,000</u> | <u>21,000,000</u> |

Allotted and called up:

| | 2005 | | 2004 | |
|----------------------------|------------------|------------------|------------------|------------------|
| | No | £ | No | £ |
| Ordinary shares of £1 each | <u>8,141,500</u> | <u>8,141,500</u> | <u>8,141,500</u> | <u>8,141,500</u> |

18. Reserves

| | Share premium account | Profit and loss account |
|--|--------------------------|----------------------------|
| | £000 | £000 |
| Balance brought forward | 8,141 | 17,200 |
| Retained profit for the financial year | — | 5,375 |
| Balance carried forward | <u>8,141</u> | <u>22,575</u> |

19. Reconciliation of movements in equity shareholders' funds

| | 2005 | 2004 |
|--|---------------|---------------|
| | £000 | £000 |
| Retained profit for the financial year | 5,375 | 7,557 |
| Opening equity shareholders' funds | <u>33,482</u> | <u>25,925</u> |
| Closing equity shareholders' funds | <u>38,857</u> | <u>33,482</u> |

20. 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 London North 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.