2328559

ARRIVA LONDON NORTH LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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YEAR ENDED 31 DECEMBER 2009

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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 Tyne and Wear SR3 3XP
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 89 Sandyford Road Newcastle upon Tyne NE1 8HW

ARRIVA LONDON NORTH LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2009

COMPANY REGISTRATION NUMBER 2328559

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009

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 company paid a dividend of £7,824,000 during the year (2008 £nil)

The directors remain confident that the company will continue to trade in line with expectations in the future

Financial risk management objectives and policies

Details of financial risk management objectives and policies are shown in the accounts of the ultimate parent company, Arriva plc

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks The key business risks and uncertainties affecting the company are considered to relate to local and national competition and factors which would cause a decline in the market Further discussion of these risks and uncertainties in the context of the group as a whole, is provided in the annual report of the ultimate parent company, Arriva plc which does not form part of this report

Key performance indicators

The directors of Arriva plc manage the group's operations on a divisional basis For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Arriva London North Limited The development, performance and position of the group, including this company, is discussed in the group's annual report which does not form part of this report

Directors

The directors who served the company during the year and up to the date of signing the financial statements were as follows

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

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 2009 the company's trade creditors outstanding represented approximately 26 days' purchases (2008 32 days)

ARRIVA LONDON NORTH LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2009

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 recognises that its employees are key to its success and is committed to creating a working environment where everyone has the opportunity to learn, develop and contribute to the success of the group, working within a common set of values

The group continues to aim to be an employer of choice and to employ a diverse workforce with the skills, abilities and attitudes to meet business objectives and needs The group's aim is to provide appropriate remuneration, benefits and conditions of employment which will serve to attract, retain, motivate and reward such employees

The group has, subject to the restraints of commercial confidentiality, continued its policy of employee involvement, by making information available to employees on a regular basis regarding recent and probable future developments and business activities

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

E A Thorpe
Company secretary

2 March 2010

ARRIVA LONDON NORTH LIMITED

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

YEAR ENDED 31 DECEMBER 2009

We have audited the financial statements of Arriva London North Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Bill MacLeod.

Bill MacLeod (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle Upon Tyne
23 September 2010

ARRIVA LONDON NORTH LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2009

	Note	2009 £000	2008 £000
Turnover	2	**201,726**	190,387
Cost of sales		**(173,250)**	(163,310)
Gross profit		**28,476**	27,077
Administrative expenses		**(18,394)**	(16,631)
Other operating income		**122**	241
Operating profit	3	**10,204**	10,687
Interest receivable and similar income	6	**417**	408
Interest payable and similar charges	7	**-**	(218)
Profit on ordinary activities before taxation		**10,621**	10,877
Tax on profit on ordinary activities	8	**(3,335)**	(3,751)
Profit for the financial year	21	**7,286**	7,126

All of the activities of the company are classed as continuing

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

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

The notes on pages 7 to 15 form part of these financial statements.

ARRIVA LONDON NORTH LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2009

	Note	2009 £000	2008 £000
Fixed assets			
Intangible assets	10	**3,719**	4,132
Tangible assets	11	**5,951**	7,353
		9,670	11,485
Current assets			
Stocks	12	**1,568**	1,649
Debtors	13	**74,922**	81,337
Cash at bank and in hand		**19,379**	8,662
		95,869	91,648
Creditors Amounts falling due within one year	15	**(73,745)**	(70,742)
Net current assets		**22,124**	20,906
Total assets less current liabilities		**31,794**	32,391
Creditors. Amounts falling due after more than one year	16	**(1,100)**	(1,159)
Net assets		**30,694**	31,232
Capital and reserves			
Called-up share capital	20	**8,141**	8,141
Share premium account	21	**8,141**	8,141
Profit and loss account	21	**14,412**	14,950
Total shareholders' funds	22	**30,694**	31,232

These financial statements were approved by the directors on the 2 March 2010 and are signed on their behalf by

R A Bowler
Director

The notes on pages 7 to 15 form part of these financial statements

1. Accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 applicable to companies reporting under UK GAAP, and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

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 Standard 1 (Revised 1996) 'Cash Flow Statements', 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 Income is accrued where it is earned in an earlier period to that in which it is billed or received in cash Income is deferred where it is received in an earlier period than that to which it relates

Intangible assets

Intangible 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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use 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% straight line
Public service vehicles – straight line over periods up to 15 years

Stocks

Stocks are valued at the lower of cost and net realisable value Where necessary, provision is made for obsolete, slow moving and defective stocks

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 Assets under finance leases are depreciated over their estimated useful life or the term of the lease, whichever is the shorter

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

Where assets are leased out under a finance lease arrangement any amounts due from the lessee are recorded in the balance sheet as a debtor at the amount of the net investment in the lease Finance lease income under the finance lease is allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment in the lease each period

1 **Accounting policies (continued)**

Pension costs

Arriva plc operates retirement benefit schemes, both defined benefit and defined contribution schemes, which cover employees of the company The assets of the defined benefit scheme are held separately from those of the company in independently administered funds As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme 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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Dividends

Dividend distributions to the company's shareholders are recognised in the company's financial statements in the period in which the dividends are paid

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)

	2009	2008
	£000	£000
Amortisation of intangible fixed assets	413	414
Depreciation of owned fixed assets	828	837
Depreciation of assets held under hire purchase and finance lease agreements	689	705
Profit on disposal of fixed assets	(19)	(22)
Auditors' remuneration		
- audit fees	45	39
Operating lease costs		
Public service vehicles	14,460	12,986
Land and buildings	3,805	3,743

4 Particulars of employees

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

	2009 Number	2008 Number
Drivers	2,665	2,534
Engineering	288	294
Administration	329	323
	3,282	3,151

The aggregate payroll costs of the above were

	2009 £000	2008 £000
Wages and salaries	113,551	113,267
Social security costs	11,246	11,473
Other pension costs (note 18)	4,023	3,661
	128,820	128,401

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2009 £000	2008 £000
Aggregate emoluments	653	624
Employers' pension contributions	112	109
	765	733

Benefits are accruing to 5 directors (2008 5) under defined benefit pension schemes and, at the year end the accrued pension in respect of the highest paid director amounted to £35,890 (2008 £31,276)

Emoluments of highest paid director

	2009 £000	2008 £000
Total emoluments	193	181
Employers' pension contributions	28	27
	221	208

6. Interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	381	317
Finance lease interest receivable	31	36
Other interest receivable	5	55
	417	408

7 Interest payable and similar charges

	2009 £000	2008 £000
Hire purchase and finance lease charges	-	218

8. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2009 £000	2008 £000
Current tax		
In respect of the year		
UK corporation tax		
Current year	5,809	(704)
Adjustments in respect of prior years	6,513	6,869
Total current tax (note 8 (b))	12,322	6,165
Deferred tax		
Origination and reversal of timing differences	(2,720)	3,854
Adjustment in respect of prior years	(6,267)	(6,268)
Total deferred tax (note 14)	(8,987)	(2,414)
Tax on profit on ordinary activities	3,335	3,751

(b) Factors affecting current tax charge

The tax assessed for the year is higher (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 28 5%) The differences are explained below

	2009 £000	2008 £000
Profit on ordinary activities before taxation	10,621	10,877
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28 5%)	2,974	3,100
Expenses not deductible for tax purposes	116	118
Capital allowances less than/(in excess of) depreciation	2,720	(3,922)
Adjustment in respect of prior years	6,513	6,869
Other	(1)	-
Total current tax (note 8 (a))	12,322	6,165

(c) Factors that may affect future tax charges

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

9. Dividends

The following dividends have been paid in respect of the year

	2009 £000	2008 £000
Final dividend on £1 ordinary shares of £0 96 per share (2008 £nil per share)	7,824	-

10. Intangible assets

	Licences £000
Cost	
At 1 January 2009 and 31 December 2009	**6,200**
Accumulated amortisation	
At 1 January 2009	2,068
Charge for the year	413
At 31 December 2009	**2,481**
Net book value	
At 31 December 2009	**3,719**
At 31 December 2008	4,132

11. Tangible assets

	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
Cost			
At 1 January 2009	6,259	11 343	17,602
Additions	561	187	748
Disposals	(133)	(767)	(900)
Transfers to group companies	-	176	176
At 31 December 2009	**6,687**	**10,939**	**17,626**
Accumulated depreciation			
At 1 January 2009	3,382	6,867	10,249
Charge for the year	709	808	1,517
Disposals	(91)	-	(91)
At 31 December 2009	**4,000**	**7,675**	**11,675**
Net book value			
At 31 December 2009	**2,687**	**3,264**	**5,951**
At 31 December 2008	2,877	4,476	7,353

Hire purchase and finance lease agreements

Included within the net book value of £5,951,000 is £2,831,000 (2008 £3,520,000) 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 £689,000 (2008 £705,000)

Capital commitments

	2009 £000	2008 £000
Contracted but not provided for in the financial statements	36	48

12. Stocks

	2009	2008
	£000	£000
Raw materials and consumables	1,568	1,649

13 Debtors

	2009	2008
	£000	£000
Trade debtors	175	283
Amounts owed by group undertakings	29,389	42,198
Corporation tax	-	822
Other debtors	3,288	4,881
Amounts receivable under finance leases	432	525
Deferred tax (note 14)	15,091	6,104
Prepayments and accrued income	26,547	26,524
	74,922	81,337

14 Deferred taxation

The deferred tax included in the balance sheet is as follows

	2009	2008
	£000	£000
Included in debtors (note 13)	15,091	6,104

The movement in deferred tax during the year was

	2009
	£000
Deferred tax asset brought forward	6,104
Profit and loss account movement in the year (note 8 (a))	8,987
Deferred tax asset carried forward	**15,091**

The deferred tax asset consists of the tax effect of timing differences in respect of

	2009	2008
	£000	£000
Excess of depreciation of fixed assets over capital allowances	15,091	6,104

At 31 December 2009 the company had a deferred tax asset of £15,091,000 (2008 £6,104,000) arising in respect of depreciation charged to date over and above tax depreciation claimed The amount is disclosed within debtors It is expected that the deferred tax asset will be recoverable

15. Creditors: Amounts falling due within one year

	2009	2008
	£000	£000
Trade creditors	4,381	4,069
Amounts owed to group undertakings	41,498	42,328
Corporation tax	5,809	-
Other taxation and social security costs	8,123	9,666
Hire purchase and finance lease agreements (note 17)	-	1,028
Other creditors	3,883	5,793
Accruals and deferred income	10,051	7,858
	73,745	70,742

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

	2009 £000	2008 £000
Accruals and deferred income	**1,100**	1,159

17 Commitments under hire purchase and finance lease agreements

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

	2009 £000	2008 £000
Amounts payable within 1 year	**-**	1,028

18. Pensions

At 31 December 2009 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 and 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 2006, 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 the scheme's rules to pensions in payment

On the basis of these assumptions the actuarial value of the funds at 5th April 2006 was sufficient to cover 92 per cent of the benefits then accrued to members The market value of the Scheme's assets at 5th April 2006 was £71 6 million

The pension cost charge for the year represents contributions payable by the company to both schemes and amounted to £4,023,000 (2008 £3,661,000)

FRS 17 'Retirement benefits'

The company makes contributions to a defined benefit scheme, the Arriva London North and 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 2009 As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme Contributions payable by the company are charged to the profit and loss account in the period in which they fall due

19. Commitments under operating leases

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

	Public service vehicles 2009 £000	Public service vehicles 2008 £000
Operating leases which expire		
Within 2 to 5 years	11,194	6,236
In more than 5 years	4,278	7,208
	15,472	13,444

	Other 2009 £000	Other 2008 £000
Operating leases which expire		
Within 2 to 5 years	638	-

20 Called up share capital

Authorised share capital:

	2009 £	2008 £
21,000,000 ordinary shares of £1 each	21,000,000	21,000,000

Allotted and fully paid:

	2009 Number	2009 £	2008 Number	2008 £
Ordinary shares of £1 each	8,141,500	8,141,500	8,141,500	8,141,500

21. Reserves

	Share premium account 2009 £000	Profit and loss account 2009 £000
Balance brought forward	8,141	14,950
Profit for the financial year	-	7,286
Dividends (note 9)	-	(7,824)
Balance carried forward	8,141	14,412

22 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	7,286	7,126
Dividends (note 9)	(7,824)	-
Net (decrease)/increase in shareholders' funds	(538)	7,126
Opening shareholders' funds	31,232	24,106
Closing shareholders' funds	30,694	31,232

23. Ultimate parent company

The ultimate parent company and ultimate controlling party is Arriva plc, a company registered in England and Wales, and which is the smallest and largest group of undertakings that 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, Tyne and Wear, 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