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ARRIVA LONDON SOUTH LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2009

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ARRIVA LONDON SOUTH LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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ARRIVA LONDON SOUTH LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

P J Batty
R A Bowler
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 SOUTH LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2009

COMPANY REGISTRATION NUMBER 2328467

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 during the year continued 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 £4,492,000 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 South 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
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. There are no trade creditors at the year end (2008 nil)

ARRIVA LONDON SOUTH 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 SOUTH LIMITED

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

YEAR ENDED 31 DECEMBER 2009

We have audited the financial statements of Arriva London South 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 (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle Upon Tyne
23 September 2010

ARRIVA LONDON SOUTH LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2009

	Note	2009 £000	2008 £000
Turnover	2	109,455	104,359
Cost of sales		(94,583)	(86,803)
Gross profit		14,872	17,556
Administrative expenses		(10,983)	(12,323)
Other operating income		41	68
Operating profit	3	3,930	5,301
Interest receivable and similar income	5	190	300
Interest payable and similar charges	6	-	(120)
Profit on ordinary activities before taxation		4,120	5,481
Tax on profit on ordinary activities	7	(1,237)	(1,792)
Profit for the financial year	18	2,883	3,689

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 14 form part of these financial statements.

ARRIVA LONDON SOUTH LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2009

	Note	2009 £000	2008 £000
Fixed assets			
Intangible assets	9	2,159	2,399
Tangible assets	10	2,484	3,393
		<u>4,643</u>	<u>5,792</u>
Current assets			
Stocks	11	688	674
Debtors	12	13,785	16,274
Cash at bank and in hand		17	28
		<u>14,490</u>	<u>16,976</u>
Creditors Amounts falling due within one year	14	<u>(4,578)</u>	<u>(6,604)</u>
Net current assets		<u>9,912</u>	<u>10,372</u>
Net assets		<u>14,555</u>	<u>16,164</u>
Capital and reserves			
Called up share capital	17	3,992	3,992
Share premium account	18	3,991	3,991
Profit and loss account	18	6,572	8,181
Total shareholders' funds	19	<u>14,555</u>	<u>16,164</u>

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 14 form part of these financial statements

ARRIVA LONDON SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

I 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 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.

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 held 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.

ARRIVA LONDON SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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 £000	2008 £000
Amortisation of intangible fixed assets	240	241
Depreciation of owned tangible fixed assets	223	235
Depreciation of assets held under hire purchase agreements	440	456
(Profit)/loss on disposal of fixed assets	(7)	1
Auditors' remuneration		
- audit fees	6	6
Operating lease costs		
- public service vehicles	7,242	6,984
- land and buildings	250	255

ARRIVA LONDON SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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	1,538	1,480
Engineering	176	185
Administrative	176	173
	<u>1,890</u>	<u>1,838</u>

The aggregate payroll costs of the above were

	2009 £000	2008 £000
Wages and salaries	61,342	59,062
Social security costs	5,940	5,787
Other pension costs (note 15)	2,466	2,265
	<u>69,748</u>	<u>67,114</u>

None of the directors received any remuneration from the company during the year for their services to the company (2008 £nil)

5. Interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	169	172
Finance lease interest receivable	18	21
Other interest receivable	3	107
	<u>190</u>	<u>300</u>

6. Interest payable and similar charges

	2009 £000	2008 £000
Hire purchase and finance lease charges	-	120

7. 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	273	(194)
Adjustments in respect of prior years	(4)	1,802
Total current tax (note 7 (b))	<u>269</u>	<u>1,608</u>
Deferred tax:		
Origination and reversal of timing differences	948	1,793
Adjustment in respect of prior years	20	(1,609)
Total deferred tax (note 13)	<u>968</u>	<u>184</u>
Tax on profit on ordinary activities	<u>1,237</u>	<u>1,792</u>

ARRIVA LONDON SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

7. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed for the year is lower (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	<u>4,120</u>	<u>5,481</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	1,154	1,562
Capital allowances in excess of depreciation	(948)	(1,825)
Adjustment in respect of prior years	(4)	1,802
Intangible asset amortisation not deductible for tax purposes	67	69
Total current tax (note 7 (a))	<u>269</u>	<u>1,608</u>

(c) Factors that may affect future tax charges

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

8. Dividends

The following dividends have been paid in respect of the year

	2009 £000	2008 £000
Final dividend on £1 ordinary shares of £1.13 per share (2008 £nil per share)	<u>4,492</u>	<u>-</u>

9. Intangible assets

	Licences £000
Cost	
At 1 January 2009 and 31 December 2009	<u>3,600</u>
Accumulated amortisation	
At 1 January 2009	1,201
Charge for the year	240
At 31 December 2009	<u>1,441</u>
Net book value	
At 31 December 2009	<u>2,159</u>
At 31 December 2008	<u>2,399</u>

ARRIVA LONDON SOUTH LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2009

10 Tangible assets

	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
Cost			
At 1 January 2009	1,807	7,056	8,863
Additions	-	77	77
Disposals	(30)	(111)	(141)
Transfers with group companies	141	(1,253)	(1,112)
At 31 December 2009	1,918	5,769	7,687
Accumulated depreciation			
At 1 January 2009	999	4,471	5,470
Charge for the year	189	474	663
Disposals	(30)	-	(30)
Transfers with group companies	(8)	(892)	(900)
At 31 December 2009	1,150	4,053	5,203
Net book value			
At 31 December 2009	768	1,716	2,484
At 31 December 2008	808	2,585	3,393

Hire purchase agreements

Included within the net book value of £2,484,000 is £1,616,000 (2008 £2,406,000) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £440,000 (2008 £456,000).

11. Stocks

	2009 £000	2008 £000
Raw materials and consumables	688	674

12. Debtors

	2009 £000	2008 £000
Amounts owed by group undertakings	142	1,280
Corporation tax	-	138
Other debtors	560	547
Amounts receivable under finance leases	253	308
Deferred tax (note 13)	857	1,825
Prepayments and accrued income	11,973	12,176
	13,785	16,274

ARRIVA LONDON SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

13. Deferred taxation

The deferred tax included in the balance sheet is as follows

	2009	2008
	£000	£000
Included in debtors (note 12)	<u>857</u>	<u>1,825</u>

The movement in deferred tax during the year was

	2009
	£000
Deferred tax asset brought forward	<u>1,825</u>
Profit and loss account movement arising during the year (note 7 (a))	<u>(968)</u>
Deferred tax asset carried forward	<u>857</u>

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

	2009	2008
	£000	£000
Excess of capital allowances over depreciation of fixed assets	<u>857</u>	<u>1,825</u>

At 31 December 2009 the company had a deferred tax asset of £857,000 (2008 £1,825,000) 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.

14 Creditors Amounts falling due within one year

	2009	2008
	£000	£000
Amounts owed to group undertakings	<u>842</u>	3,551
Corporation tax	<u>273</u>	-
Hire purchase and finance lease agreements	-	242
Other creditors	<u>159</u>	69
Accruals and deferred income	<u>3,304</u>	<u>2,742</u>
	<u>4,578</u>	<u>6,604</u>

15. 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 South 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 a 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 for the year represents contributions payable by the company to both schemes and amounts to £2,466,000 (2008 £2,265,000).

ARRIVA LONDON SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

15 Pensions (continued)

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.

16. 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	2008
	£000	£000
Operating leases which expire		
Within 2 to 5 years	6,505	3,891
In more than 5 years	880	3,335
	<u>7,385</u>	<u>7,226</u>

17. Called up share capital

Authorised share capital

	2009	2008
	£	£
15,000,000 ordinary shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>

Allotted and fully paid:

	2009		2008	
	Number	£	Number	£
Ordinary shares of £1 each	<u>3,992,000</u>	<u>3,992,000</u>	<u>3,992,000</u>	<u>3,992,000</u>

18. Reserves

	Share premium account	Profit and loss account
	2009	2009
	£000	£000
Balance brought forward	3,991	8,181
Profit for the financial year	-	2,883
Dividends (note 8)	-	(4,492)
Balance carried forward	<u>3,991</u>	<u>6,572</u>

ARRIVA LONDON SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

19 Reconciliation of movements in shareholders' funds

	2009	2008
	£000	£000
Profit for the financial year	2,883	3,689
Dividends (note 8)	(4,492)	-
Net (decrease to)/increase in shareholders' funds	(1,609)	3,689
Opening shareholders' funds	16,164	12,475
Closing shareholders' funds	14,555	16,164

20. 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 South 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.