

ARRIVA LONDON NORTH LIMITED

Annual report and financial statements

For the Year Ended 31 December 2015

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ARRIVA LONDON NORTH LIMITED

Company Information

Directors	P J Batty R Scowen I R Tarran I A Warr P S Adcock
Company secretary	L Edwards
Registered number	2328559
Registered office	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

ARRIVA LONDON NORTH LIMITED

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ARRIVA LONDON NORTH LIMITED

Strategic report For the Year Ended 31 December 2015

The directors present their Strategic report on the affairs of Arriva London North Limited (the "company") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS

Trading is in line with expectations against the backdrop of a challenging economic and tendering environment.

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

The directors consider the state of the company's affairs to be satisfactory.

During the year the company experienced a fall in turnover however reported an operating profit of £26,981,000 (2014 : £22,789,000). The results for 2015 reflect a one-off past service credit (net of associated costs) of £11,500,000 which related to a pension liability management exercise carried out by Arriva plc in respect of the defined benefit schemes recognised (see Note 9 to the financial statements). The 2014 results included a one off contract termination fee income of £3,243,000 which contributed towards the operating profit generated in 2014.

The transition to FRS 101, at 1 January 2014, has resulted in net assets at 31 December 2014, being restated from £56,483,000 to £21,443,000. This is due to recognition of an employer related pension scheme liability and a liability in connection with derivative financial instruments. More detail on the financial effect of the transition can be found in Note 27 to the financial statements.

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 Arriva plc which does not form part of this report.

KEY PERFORMANCE INDICATORS

The directors of Deutsche Bahn AG 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.

ARRIVA LONDON NORTH LIMITED

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS

2016 will see more challenges, with a number of competitors challenging for new routes up for tender. Investment is being made in engineering to ensure the company is well equipped to deal with the increasing number of hybrid buses coming into the fleet. Arriva will continue to work with TfL to ensure performance continues to improve and we are the 'Operator of choice' in the London bus market.

On 1 January 2016, the company received certain trade assets from Arriva the Shires Limited and Arriva Kent Thameside Limited, both fellow group undertakings. Further details of this transfer can be found in Note 25 to the financial statements.

This report was approved by the board on 15 September 2016 and signed by order of the board.



L Edwards
Secretary

ARRIVA LONDON NORTH LIMITED

Directors' report For the Year Ended 31 December 2015

The directors present their report and the audited financial statements for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £19,900,000 (2014 : £17,702,000).

The company did not pay a dividend during the year (2014 : £Nil).

DIRECTORS

The directors who served during the year, and up to the date of signing the financial statements, were:

P J Batty
R A Bowler (resigned 22 December 2015)
R Scowen
I R Tarran
I A Warr
S Loh (appointed 1 May 2015, resigned 22 August 2016)
P S Adcock (appointed 18 January 2016)
J E Quantrell (resigned 30 April 2015)
M D J Yexley (resigned 3 July 2015)

FRS 101

For the year ended 31 December 2015, the financial statements of Arriva London North Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101), the effective date of transition being 1 January 2014. For the year ended 31 December 2015, the company have, for the first time, adopted FRS 101 and the effect of the transition to FRS 101 on both the financial position and financial performance of the company, has been detailed in the reconciliation (Note 27) within the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of financial risk management objectives and policies are shown in the annual report of the UK intermediate parent company, Arriva plc, which does not form part of this report.

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 company, working within a common set of values.

The company 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 company's aim is to provide appropriate remuneration, benefits and conditions of employment which will serve to attract, retain, motivate and reward such employees.

The company 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.

ARRIVA LONDON NORTH LIMITED

Directors' report For the Year Ended 31 December 2015

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.

MATTERS COVERED IN THE STRATEGIC REPORT

Details of future developments have been disclosed in the Strategic report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic report, the Directors' report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the audited 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 audited 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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the audited 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 audited 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.

ARRIVA LONDON NORTH LIMITED

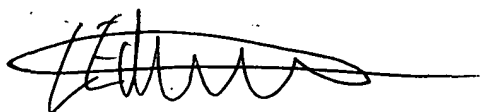
**Directors' report
For the Year Ended 31 December 2015**

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board on 15 September 2016 and signed by order of the board.

A handwritten signature in black ink, appearing to be 'L Edwards', with a long horizontal line extending to the right.

L Edwards
Company secretary

ARRIVA LONDON NORTH LIMITED

Independent auditors' report to the members of Arriva London North Limited

Report on the financial statements

Our opinion

In our opinion Arriva London North Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

ARRIVA LONDON NORTH LIMITED

Independent auditors' report to the members of Arriva London North Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, as set out on page 4, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' Report and financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Michael Jeffrey (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Orchard Street
Newcastle upon Tyne

15 September 2016

ARRIVA LONDON NORTH LIMITED

**Statement of comprehensive income
For the Year Ended 31 December 2015**

	Note	2015 £000	2014 £000
Turnover	3	220,789	232,591
Cost of sales		<u>(186,245)</u>	<u>(194,839)</u>
Gross profit		34,544	37,752
Administrative expenses		(19,464)	(18,206)
Other operating income	4	401	3,243
Exceptional items	9	<u>11,500</u>	<u>-</u>
Operating profit	5	26,981	22,789
Interest receivable and similar income	10	71	23
Interest payable and similar charges	11	(991)	(1,713)
Pension finance charges	12	<u>(1,040)</u>	<u>(350)</u>
Profit on ordinary activities before taxation		25,021	20,749
Tax on profit on ordinary activities	13	<u>(5,121)</u>	<u>(3,047)</u>
Profit for the financial year		<u>19,900</u>	<u>17,702</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial loss related to pension deficit	23	(5,840)	(27,920)
Movements of deferred tax relating to actuarial loss on pension deficit	21	725	5,657
		<u>(5,115)</u>	<u>(22,263)</u>
Items that may be reclassified to profit or loss:			
Changes in market value of cash flow hedges	20	(1,625)	(9,086)
Deferred tax attributable to changes in market value of cash flow hedges	21	101	1,817
		<u>(1,524)</u>	<u>(7,269)</u>
Total comprehensive income / (expense) for the financial year		<u>13,261</u>	<u>(11,830)</u>

There were no recognised gains and losses for 2015 and 2014, other than those included in the statement of comprehensive income.

All amounts relate to continuing operations.

The notes on pages 12 to 34 form part of these financial statements.

ARRIVA LONDON NORTH LIMITED
Registered number: 2328559

Balance sheet
As at 31 December 2015

	Note	2015 £000	2014 £000
Fixed assets			
Intangible assets	14	1,240	1,653
Tangible assets	15	93,461	102,429
		<u>94,701</u>	<u>104,082</u>
Current assets			
Stocks	16	1,066	1,132
Debtors	17	108,859	116,527
Cash at bank and in hand		4	4
		<u>109,929</u>	<u>117,663</u>
Creditors: Amounts falling due within one year	18	(133,885)	(137,540)
Net current liabilities		<u>(23,956)</u>	<u>(19,877)</u>
Total assets less current liabilities		<u>70,745</u>	<u>84,205</u>
Creditors: Amounts falling due after more than one year	19	(11,908)	(28,518)
Pension deficit	23	(24,133)	(34,244)
Net assets		<u>34,704</u>	<u>21,443</u>
Capital and reserves			
Called up share capital	22	8,142	8,142
Share premium account		8,142	8,142
Cash flow hedge reserve		(9,171)	(7,647)
Profit and loss account		27,591	12,806
Total shareholders' funds		<u>34,704</u>	<u>21,443</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 September 2016.


R Scowen
Director

The notes on pages 12 to 34 form part of these financial statements.

ARRIVA LONDON NORTH LIMITED

**Statement of changes in equity
For the Year Ended 31 December 2015**

	Called up share capital £000	Share premium account £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2015	8,142	8,142	(7,647)	12,806	21,443
Comprehensive income for the year					
Profit for the financial year	-	-	-	19,900	19,900
Actuarial loss on pension deficit	-	-	-	(5,840)	(5,840)
Movements of deferred tax relating to actuarial loss on pension deficit	-	-	-	725	725
Changes in market value of cash flow hedges	-	-	(1,625)	-	(1,625)
Deferred tax attributable to changes in market value of cash flow hedges	-	-	101	-	101
Other comprehensive expense for the year	-	-	(1,524)	(5,115)	(6,639)
Total comprehensive (expense) / income for the year	-	-	(1,524)	14,785	13,261
At 31 December 2015	8,142	8,142	(9,171)	27,591	34,704

The notes on pages 11 to 34 form part of these financial statements.

ARRIVA LONDON NORTH LIMITED

**Statement of changes in equity
For the Year Ended 31 December 2014**

	Called up share capital £000	Share premium account £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2014 (as previously stated)	8,142	8,142	-	26,299	42,583
Effect of transition to FRS 101 (Note 27)	-	-	(378)	(8,932)	(9,310)
At 1 January 2014 (as restated)	8,142	8,142	(378)	17,367	33,273
Comprehensive income for the year					
Profit for the financial year	-	-	-	17,702	17,702
Actuarial loss on pension deficit	-	-	-	(27,920)	(27,920)
Movements of deferred tax relating to actuarial loss on pension deficit	-	-	-	5,657	5,657
Changes in market value of cash flow hedges	-	-	(9,086)	-	(9,086)
Deferred tax attributable to changes in market value of cash flow hedges	-	-	1,817	-	1,817
Other comprehensive expense for the year	-	-	(7,269)	(22,263)	(29,532)
Total comprehensive expense for the year	-	-	(7,269)	(4,561)	(11,830)
At 31 December 2014	8,142	8,142	(7,647)	12,806	21,443

The notes on pages 12 to 34 form part of these financial statements.

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

The company is a private limited company, incorporated and domiciled in the United Kingdom.

1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all years, unless otherwise stated. The financial statements have been prepared on the going concern basis under historic cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through cash flow hedge reserves, and in accordance with the Companies Act 2006.

Information on the impact of first-time adoption of FRS 101 is given in Note 27.

1.3 TURNOVER

Turnover consists of the gross revenue for road passenger transport together with the aggregate amounts receivable for other 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.

1.4 INTANGIBLE FIXED ASSETS AND AMORTISATION

Intangible assets, which relate to licences for the use of the Arriva brand name, are being amortised through the statement of comprehensive income over the licence period of 15 years.

1.5 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives.

Depreciation is provided on the following bases:

Freehold land	-	Not depreciated
Plant, machinery, fixtures and motor vehicles	-	10% to 48% straight line
Public service vehicles	-	straight line over periods up to 15 years

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

1.6 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 statement of comprehensive income 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 statement of comprehensive income 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.

1.7 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.8 DEBTORS

Trade and other debtors are initially measured at fair value. Receivables for which there are substantial objective indications of an impairment are adjusted appropriately.

Trade and other debtors are considered to be impaired when there is objective evidence that the estimated future cash flows associated with the asset have been affected. In addition, certain trade and other debtors that are not considered to be individually impaired, may be assessed for impairment on a collective basis.

Loans and other non derivative financial assets, with fixed or determinable payments that are not quoted in an active market, are included within current assets, except for maturities greater than 12 months after the end of the reporting period. Those loans and other debtors which are deemed payable more than 12 months after the balance sheet date, are classed as long term debtors.

1.9 CASH

Cash balances comprise cash in hand and all bank balances and are stated in the balance sheet at fair value. The company does not hold any cash equivalents.

ARRIVA LONDON NORTH LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2015**

**1. ACCOUNTING POLICIES
(continued)**

1.10 CREDITORS

Trade creditors are obligations to pay for goods / services that have been acquired in the ordinary course of business and are initially stated at fair value.

1.11 PENSIONS

During the year the intermediate parent company Arriva plc operated a contract based pension scheme which covered employees of the company. The assets of the scheme are held separately from those of the company in independently administered funds. Contributions payable under the contract based scheme are charged to comprehensive income as they arise.

As a result of the transition to FRS 101 on 1 January 2014, the pension scheme for which the company is deemed to be the principal employer was recognised within the financial statements being the Arriva London North and Arriva London South Pension Scheme.

The liability recognised in the balance sheet in respect of the company's defined benefit pension plan is the fair value of the plan assets at the balance sheet date less the present value of the defined obligation, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated using the projected unit credit method. Formal actuarial valuations are carried out by an independent actuary on a triennial basis, with updated calculations being prepared at each balance sheet date by qualified independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The cost of providing future benefits (service cost) is charged to comprehensive income as required.

The return on scheme assets and interest obligation on scheme liabilities is included in other finance charges. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period they arise.

ARRIVA LONDON NORTH LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2015**

**1. ACCOUNTING POLICIES
(continued)****1.12 CURRENT AND DEFERRED TAXATION**

The tax charge in the statement of comprehensive income represents the sum of the tax currently payable and the deferred tax charge for the year. Tax is recognised within the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds.

The current taxation payable is based on the taxable profit for the year. Taxable profit can differ from profit before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, or that are never taxable or deductible. The company's liability for current taxation is calculated using rates prevailing during the year.

Deferred taxation is recognised on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary timing differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and when the deferred taxation assets and liabilities relate to taxation levied by the same taxation authority, and the company intends to settle its current taxation assets and liabilities on a net basis.

Deferred tax assets and liabilities are not discounted.

ARRIVA LONDON NORTH LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2015**

**1. ACCOUNTING POLICIES
(continued)****1.13 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are recognised as a financial asset or a financial liability in the balance sheet at the trade date. Derivative financial instruments are initially and subsequently measured at fair value. At the point at which the contract is taken out, derivative financial instruments are classified as a hedging instrument for hedging cash flows arising from a contractual obligation or an expected transaction. Cash flow hedges are used to provide protection against fluctuations in the cash flows of financial assets or liabilities or anticipated transactions. When future cash flows are hedged, the hedging instruments are recognised with their fair value. Changes in value are initially recognised in shareholders' equity with no impact on the statement of comprehensive income, and are only recognised in the statement of comprehensive income at the point at which the corresponding losses or profits from the underlying have an impact on the statement of comprehensive income or the transaction expires.

Derivatives are measured using common methods such as option price or present value models, because their fair values are not traded on an active market. No parameters from non-observable markets are used for measurement purposes, no credit risk adjustment is used for the present value of hedged transactions.

1.14 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.

1.15 EXCEPTIONAL ITEMS

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or nature.

**Notes to the financial statements
For the Year Ended 31 December 2015**

**1. ACCOUNTING POLICIES
(continued)**

1.16 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

In the current year the company has adopted FRS 100 and FRS 101, in previous years the financial statements were prepared in accordance with applicable UK accounting standards.

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which permits a qualifying entity to apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS 5"), but makes amendments where necessary in order to comply with the Companies Act 2006.

The company is a qualifying entity for the purpose of FRS 101 and Note 26 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

These are the first financial statements of the company prepared in accordance with FRS 101. The company's date of transition is 1 January 2014. The company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements.

The impact of the amendments to the company's previously adopted accounting policies in accordance with UK GAAP (excluding FRS 101) is explained in Note 27.

The change in basis of preparation has enabled the company to take advantage of all the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised above. The equivalent disclosures are included in the consolidated financial statements of the ultimate parent company, Deutsche Bahn AG, in accordance with the application guidance of FRS 100 "Application of financial reporting requirements".

There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

**Notes to the financial statements
For the Year Ended 31 December 2015**

**2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Application of certain company accounting policies required management to make judgements, assumptions and estimates concerning the future as detailed below.

2.1 Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 15 for the carrying amount of the tangible fixed assets and above for the useful economic lives for each class of assets.

2.2 Stock provisioning

The recoverability of the cost of stock is considered and when calculating a stock provision, management consider the nature and condition of the stock as well as applying assumptions around anticipated future usage of the stock or recoverability. See Note 16 for the carrying amount of the stock.

2.3 Impairment of debtors

The company make an estimate of the recoverable value of the trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. See Note 17 for the carrying amount of debtors.

2.4 Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, future salary increase, inflation, future pension increases and the discount rate on corporate bonds. Management estimate these factors in determining the net pensions obligation in the balance sheet. The assumptions reflect historical experience and current trends. See Note 23 for the disclosures of the defined benefit pension scheme.

3. TURNOVER

The whole of the turnover is attributable to the company's principal activity.

All turnover arose within the United Kingdom.

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

4. OTHER OPERATING INCOME

	2015 £000	2014 £000
Other income	401	-
Contract termination fees	-	3,243
	<u>401</u>	<u>3,243</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	2015 £000	2014 £000
Depreciation of tangible fixed assets - owned by the company	13,770	15,124
Depreciation of tangible fixed assets - held under hire purchase and finance lease agreements	-	1,560
Amortisation of intangible assets	413	413
Cost of stocks recognised as an expense	115	113
Operating lease rentals		
- plant and machinery	518	811
- land and buildings	3,534	3,599
	<u>3,534</u>	<u>3,599</u>

During the year the company made a profit on disposal of tangible fixed assets of £558,000 (2014: loss of £302,000).

6. AUDITORS' REMUNERATION

Fees payable to the company's auditors in respect of the audit of the financial statements and for other services provided to the company:

	2015 £000	2014 £000
Fees for the audit of the company	<u>36</u>	<u>36</u>

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

7. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2015 £000	2014 £000
Wages and salaries	117,462	118,989
Social security costs	11,827	11,759
Other pension costs	3,536	2,607
	<u>132,825</u>	<u>133,355</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Drivers	2,587	2,717
Engineering	223	237
Administrative	406	368
	<u>3,216</u>	<u>3,322</u>

8. DIRECTORS' EMOLUMENTS

	2015 £000	2014 £000
Remuneration	658	687
Company contributions to defined benefit pension schemes	47	61
	<u>705</u>	<u>748</u>

During the year retirement benefits were accruing to 4 directors (2014 - 5) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £234,000 (2014 - £239,000).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £15,000 (2014 - £18,000).

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

9. EXCEPTIONAL ITEMS

	2015 £000	2014 £000
Past service credit in respect of pension liability management exercise (Note 23)	12,600	-
Costs associated with the pension liability management exercise	(1,100)	-
	<u>11,500</u>	<u>-</u>

During the year, Arriva plc undertook a pension liability management exercise. Arriva plc made available free Independent Financial Advisor (IFA) advice to members who were considering transferring their benefits to a defined contribution scheme following Government budget changes. The option and provision of free IFA advice for future retiring members was embedded in the rules of the schemes during the year which has resulted in a past service credit of £11,500,000 after associated advisor costs.

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £000	2014 £000
Interest receivable from group undertakings	71	23
	<u>71</u>	<u>23</u>

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £000	2014 £000
Interest payable to group undertakings	991	1,656
Interest on finance leases and hire purchase contracts	-	57
	<u>991</u>	<u>1,713</u>

12. PENSION FINANCE CHARGES

	2015 £000	2014 £000
Interest cost on defined benefit obligation	(6,640)	(6,904)
Interest income on plan assets	5,600	6,554
	<u>(1,040)</u>	<u>(350)</u>

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

13. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £000	2014 £000
Corporation tax		
Current tax on profits for the year	635	2,097
Adjustments in respect of prior years	(4)	(953)
Total current tax	631	1,144
Deferred tax		
Origination and reversal of timing differences	4,475	2,354
Adjustments in respect of prior years	15	(451)
Total deferred tax (Note 21)	4,490	1,903
Taxation on profit on ordinary activities	5,121	3,047

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.50%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	25,021	20,749
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.50%)	5,067	4,461
Effects of:		
Non-tax deductible amortisation of intangible fixed assets	84	89
Adjustments in respect of prior years	11	(1,404)
Impact of rate change on deferred tax	(41)	(99)
Total tax charge for the year	5,121	3,047

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

On 8 July 2015, the Chancellor announced that the main rate of UK Corporation Tax from 1 April 2016 would remain at 20% and that the main rate of UK Corporation Tax would reduce further to 19% from 1 April 2017, with a further reduction to 18% on 1 April 2020. These changes were enacted on 26 October 2015.

On 16 March 2016, the Chancellor announced that the main rate of UK Corporation Tax would instead reduce to 17% on 1 April 2020.

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements
For the Year Ended 31 December 2015

14. INTANGIBLE ASSETS

	Licences £000
Cost	
At 1 January 2015	6,200
At 31 December 2015	6,200
Accumulated amortisation	
At 1 January 2015	4,547
Charge for the year	413
At 31 December 2015	4,960
Net book value	
At 31 December 2015	1,240
<i>At 31 December 2014</i>	<i>1,653</i>

ARRIVA LONDON NORTH LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2015**

15. TANGIBLE ASSETS

	Freehold property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
Cost				
At 1 January 2015	-	10,123	117,428	127,551
Additions	2,381	1,262	7,664	11,307
Disposals	-	(4)	(36,173)	(36,177)
At 31 December 2015	2,381	11,381	88,919	102,681
Accumulated depreciation				
At 1 January 2015	-	6,801	18,321	25,122
Charge for the year	-	581	13,189	13,770
Disposals	-	(4)	(29,668)	(29,672)
At 31 December 2015	-	7,378	1,842	9,220
Net book value				
At 31 December 2015	2,381	4,003	87,077	93,461
<i>At 31 December 2014</i>	<i>-</i>	<i>3,322</i>	<i>99,107</i>	<i>102,429</i>

The depreciation charged to the financial statements in the year in respect of assets held under finance leases/hire purchase amounted to £Nil (2014: £1,560,000).

16. STOCKS

	2015 £000	2014 £000
Raw materials and consumables	1,066	1,132
	1,066	1,132

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

17. DEBTORS

	2015 £000	2014 £000
Due within one year		
Trade debtors	279	290
Amounts owed by group undertakings	90,821	97,983
Other debtors	402	268
Prepayments and accrued income	11,224	8,189
Deferred tax asset (Note 21)	6,133	9,797
	<u>108,859</u>	<u>116,527</u>

18. CREDITORS: Amounts falling due within one year

	2015 £000	2014 £000
Amounts owed to group undertakings	99,971	102,543
Corporation tax	634	2,097
Other taxation and social security	5,121	5,900
Other creditors	4,183	5,758
Accruals and deferred income	18,661	17,098
Derivative financial instruments (Note 20)	5,315	4,144
	<u>133,885</u>	<u>137,540</u>

19. CREDITORS: Amounts falling due after more than one year

	2015 £000	2014 £000
Amounts owed to group undertakings	6,000	22,600
Accruals and deferred income	39	503
Derivative financial instruments (Note 20)	5,869	5,415
	<u>11,908</u>	<u>28,518</u>

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

20. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments relate to cash flow hedges are valued on a marked to market basis at the balance sheet date. Energy price hedging has been entered into with the intention to reduce price fluctuations attributable to energy sourcing.

The receipts/payments from energy derivatives are recognised in the statement of comprehensive income in the periods in which they fall due.

The effectiveness of the hedge is assessed prospectively using linear regression. The retrospective effectiveness measurement is carried out as of every balance sheet date by means of linear regression. The ineffectiveness is also calculated using the dollar-offset method. Under this method, the changes in the market values of the underlying are compared with the changes in the market value of the hedging instrument. The resultant quotient determines the inefficiency.

The inefficiencies of cash flow hedges of the energy price derivatives recognised in the statement of comprehensive income are £Nil (2014 : £Nil).

The amounts recognised within the financial statements are as follows:

	2015 £000	2014 £000
Creditors : amounts falling due within one year	5,315	4,144
Creditors : amounts falling due after more than one year	5,869	5,415
	<u>11,184</u>	<u>9,559</u>

21. DEFERRED TAXATION

	Deferred tax £000
At 1 January 2015	9,797
Charged to comprehensive income	(4,490)
Credited to other comprehensive income	826
At 31 December 2015	<u>6,133</u>

The deferred tax asset is made up as follows:

	2015 £000	2014 £000
Accelerated capital allowances	(235)	1,036
Other short term timing differences	11	-
Pension deficit	4,344	6,849
Derivative financial instruments	2,013	1,912
	<u>6,133</u>	<u>9,797</u>

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

22. CALLED UP SHARE CAPITAL

	2015 £000	2014 £000
Authorised		
21,000,000 Ordinary shares of £1 each (2014 : 21,000,000)	<u>21,000</u>	<u>21,000</u>
Allotted, called up and fully paid		
8,141,500 Ordinary shares of £1 each (2014 : 8,141,500)	<u>8,142</u>	<u>8,142</u>

23. PENSION COMMITMENTS

On transition to FRS 101, the company was deemed to be the principal employer of the Arriva London North and Arriva London South Pension Scheme which has resulted in recognition of the scheme within the financial statements. Contributions to the scheme are based upon actuarial advice following the most recent of a regular series of valuations of the fund by independent actuaries.

The scheme is financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

The company also participates in a contract based scheme operated by Arriva plc.

IAS 19 'Employee Benefits' (revised 2011)

The calculations used to assess the IAS 19 'Employee Benefits' (revised 2011) of the retirement benefit scheme are based on the most recent actuarial valuations, updated to 31 December 2015 by qualified independent actuaries, Willis Towers Watson Plc. The schemes assets are stated at their market value at 31 December 2015.

The pension cost charge for the year represents contributions payable by the company to both schemes and amounted to £3,536,000 (2014 : £2,607,000).

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

23. PENSION COMMITMENTS (continued)

The amounts recognised in the balance sheet are as follows:

	2015 £000	2014 £000
Present value of funded obligations	(194,209)	(197,202)
Fair value of scheme assets	170,076	162,958
	<u>(24,133)</u>	<u>(34,244)</u>

The amounts recognised in the statement of comprehensive income are as follows:

	2015 £000	2014 £000
Current service cost	(2,673)	(2,185)
Interest cost on defined benefit obligation	(6,640)	(6,904)
Interest income on plan assets	5,600	6,554
Past service credit in respect of pension liability management exercise (Note 9)	12,600	-
Pension administration charges	(732)	(724)
	<u>8,155</u>	<u>(3,259)</u>

Changes in the present value of the defined benefit obligation are as follows:

	2015 £000	2014 £000
At 1 January	197,202	162,322
Benefits paid	(6,777)	(6,655)
Current service cost	2,673	2,185
Interest cost on defined benefit obligation	6,640	6,904
Members contributions paid	2,627	2,927
Actuarial losses	4,444	29,519
Past service credit	(12,600)	-
At 31 December	<u>194,209</u>	<u>197,202</u>

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

23. PENSION COMMITMENTS (continued)

Changes in the fair value of scheme assets are as follows:

	2015 £000	2014 £000
At 1 January	162,958	151,155
Benefits paid	(6,777)	(6,655)
Interest income on plan assets	5,600	6,554
Return on plan assets (excluding interest)	(1,396)	1,599
Employer contributions	7,064	7,378
Members contributions	2,627	2,927
At 31 December	170,076	162,958

The actuarial loss on plan assets was £1,396,000 (2014 : gain £1,599,000).

The cumulative amount of actuarial gains and losses recognised in other comprehensive income was £33,760,000 loss (2014 : £27,920,000 loss).

The company expect to contribute £7.9m to its defined benefit pension scheme in 2016.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2015	2014
Equities	89.8%	89.6%
Bonds	9.7%	10.1%
Others	0.5%	0.3%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2015 %	2014 %
Rate of increase in salaries	1.0	1.0
Rate of increase in pensions in payment	2.9	2.0
Rate of increase in deferred pensions	2.1	2.0
Discount rate	3.7	3.4
Inflation assumption	3.1	3.0

The average life expectancy for members aged 65 are male: 18 years and female: 20 years (year ended 31 December 2014 - male: 18 years and female: 20 years).

The average life expectancy at 65 for members aged 45 are male: 20 years and female: 22 years (year ended 31 December 2014 - male: 19 years and female: 21 years).

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

23. PENSION COMMITMENTS (continued)

The sensitivity analysis for the (increase) / decrease in the defined benefit obligation balance is as follows:

	2015 £000
Calculated with +1% discount rate	32,315
Calculated with -1% discount rate	(39,329)
Calculated with +1% inflation rate	(30,686)
Calculated with -1% inflation rate	26,497
Calculated with +0.5% compensation increase	-
Calculated with +0.5% pension increase rate	(14,781)
Calculated with increased expectation of life of 1 year	(5,428)

At 31 December 2015, the weighted average remaining duration/maturity of the defined benefit obligation was 19 years.

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Land and Building		
Not later than 1 year	538	343
Later than 1 year and not later than 5 years	1,603	913
Later than 5 years	3,213	1,750
Other leases		
Not later than 1 year	1,489	1,183
Later than 1 year and not later than 5 years	203	191
Later than 5 years	-	-

ARRIVA LONDON NORTH LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2015**

25. POST BALANCE SHEET EVENTS

On 1 January 2016, the company received certain trade and assets from Arriva the Shires Limited and Arriva Kent Thameside Limited, both fellow group undertakings.

Fixed assets with a net book value of £15.7m were transferred to the company together with stock at a value of £0.3m.

The turnover generated during 2015 within the individual group undertakings, relating to the trade transferred, totalled £34m.

26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and ultimate controlling party is Deutsche Bahn AG, a company registered in Germany, which has prepared group financial statements incorporating the results of Arriva London North Limited.

Copies of these financial statements can be obtained from Potsdamer Platz 2, 10785 Berlin.

Deutsche Bahn AG is the largest group to consolidate the financial statements of Arriva London North Limited and DB Mobility Logistics AG is the smallest.

Information on Arriva London North Limited can be obtained from their registered address 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

Transactions with other companies in the Deutsche Bahn Group are not specifically disclosed as the company has taken advantage of the exemption available under paragraph 17 of IAS 24 'Related party disclosures' for wholly-owned subsidiaries.

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements
For the Year Ended 31 December 2015

27. FIRST TIME ADOPTION OF FRS 101

		As previously stated 1 January 2014 £000	Effect of transition 1 January 2014 £000	FRS 101 (as restated) 1 January 2014 £000	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 101 (as restated) 31 December 2014 £000
Fixed assets		125,546	-	125,546	104,082	-	104,082
Current assets	3	63,078	2,399	65,477	108,899	8,764	117,663
Creditors: amounts falling due within one year	2	(146,032)	(85)	(146,117)	(133,395)	(4,145)	(137,540)
Net current assets		(82,954)	2,314	(80,640)	(24,496)	4,619	(19,877)
Total assets less current liabilities		42,592	2,314	44,906	79,586	4,619	84,205
Creditors: amounts falling due after more than one year	2	(9)	(457)	(466)	(23,103)	(5,415)	(28,518)
Pension deficit	1	-	(11,167)	(11,167)	-	(34,244)	(34,244)
Net assets		42,583	(9,310)	33,273	56,483	(35,040)	21,443
Total shareholders' funds	1,2,3	42,583	(9,310)	33,273	56,483	(35,040)	21,443

ARRIVA LONDON NORTH LIMITED

Notes to the financial statements For the Year Ended 31 December 2015

27. FIRST TIME ADOPTION OF FRS 101 (continued)

		As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 101 (as restated) 31 December 2014 £000
Turnover		232,591	-	232,591
Cost of sales		(194,839)	-	(194,839)
Gross profit		37,752	-	37,752
Administrative expenses	1	(23,399)	5,193	(18,206)
Other operating income		3,243	-	3,243
Operating profit		17,596	5,193	22,789
Interest receivable and similar income		23	-	23
Interest payable and similar charges		(1,713)	-	(1,713)
Pension finance charges	1	-	(350)	(350)
Taxation	3	(2,006)	(1,041)	(3,047)
Profit for the financial year		13,900	3,802	17,702

Explanation of changes to previously reported profit and equity:

1 Pension

As a result of the transition, the Arriva London North and Arriva London South pension scheme was required to be accounted for within the financial statements as Arriva London North Limited is deemed to be the principal employer.

This resulted in the recognition of pension scheme deficit of £34.2m at 31 December 2014.

Pension finance charges have been recognised as a result of the transition.

The deferred tax charge has been recalculated as result of the recognition of the pension schemes on transition to FRS 101.

ARRIVA LONDON NORTH LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2015**

27. FIRST TIME ADOPTION OF FRS 101 (continued)

2 Derivative financial instruments

Derivative financial instruments, under FRS101, are required to be accounted for within the financial statements as financial assets or financial liabilities in accordance with fuel hedge contracts in place which previously, under UK GAAP, were only required to be disclosed within the notes to the financial statements.

3 Deferred tax

Due to the recognition of derivatives and the the transition adjustments on pension scheme balances, deferred tax calculations were revised.