

EUPHEMIA LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

COMPANY NUMBER 4321816

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EUPHEMIA LIMITED

DIRECTORS' REPORT

The Directors present their Report and Accounts for the year ended 31 December 2010

Principal activities and review of business developments

The Company acts as a group financing company for National Express Group PLC

The Directors' expect the principal activities of the Company to remain the same for the foreseeable future

The Directors' consider the results for the year and the future prospects of the company to be satisfactory

Results and dividends

The profit on ordinary activities before taxation for the year was £3,000 (2009 £6,000) and retained loss of £8,052,000 (2009 retained profit £4,000) was transferred to reserves

The Directors do not propose to pay a dividend (2009 £nil)

Key risks and uncertainties

As a group financing company for National Express Group PLC, the principal risks and uncertainties are integrated with those of the group and are not managed separately. Further discussions of the group's risks and uncertainties are provided on pages 34 and 35 of the National Express Group PLC 2010 Annual Report and Accounts

Directors

The Directors of the Company who served during the year and up to the date of signing were

A J McDonald
S J Matthews

Directors' Indemnity

Under the Company's Articles of Association the Company provides an indemnity for its directors and officers in accordance with the provisions of the Companies Act 2006

Auditors

In accordance with Section 487(2) of the Companies Act 2006 Ernst & Young LLP shall be deemed to be re-appointed as auditors 28 days after the accounts are sent to members

EUPHEMIA LIMITED

DIRECTORS' REPORT

Directors' statement as to disclosure of information to auditor

The Directors who held office at the date of approval of the Directors' Report confirm that

- to the best of each Director's knowledge there is no information relevant to the preparation of their audit report to which the Company's auditor is unaware, and
- each Director has taken all steps that a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information

By order of the Board



A J McDonald

Company Secretary

Date approved by the Directors 5 May 2011

Registered Office
National Express House
Mill Lane
Digbeth
Birmingham
B5 6DD

EUPHEMIA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the accounts in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUPHEMIA LIMITED

We have audited the financial statements of Euphemia Limited for the year ended 31 December 2010 which comprise of the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 12. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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 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 (APB's) Ethical Standards for Auditors.

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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we became aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2010 and of its loss 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.

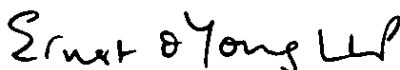
Opinion on other matters prescribed by the Companies Act 2006

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.



Alison Baker (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

5 May 2011

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- 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.

Alison Baker
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
May 2011

EUPHEMIA LIMITED
COMPANY NUMBER 4321816

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £'000	2009 £'000
Interest receivable and similar income	4	3	6
Profit on ordinary activities before taxation		3	6
Tax charge on profit on ordinary activities	5	(8,055)	(2)
Retained (loss)/profit for the financial year	9	(8,052)	4

All results relate to continuing activities

HISTORICAL COST PROFITS AND LOSSES

There is no difference between the profit on ordinary activities before taxation and the retained (loss)/profit for the year stated above and their historical cost equivalents

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses relating to the current and previous financial year other than the (loss)/profit attributable to shareholders of the Company stated above

EUPHEMIA LIMITED
COMPANY NUMBER 4321816

BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	2010 £'000	2009 £'000
Current assets			
Debtors	6	364,109	364,110
Cash at bank and in hand		655	653
		<u>364,764</u>	<u>364,763</u>
Creditors amounts falling due within one year	7	(8,055)	(2)
Net assets		<u>356,709</u>	<u>364,761</u>
 Capital and reserves			
Share capital	8	295,181	295,181
Capital reserve	9	64,399	64,399
Profit and loss account	9	(2,871)	5,181
Equity shareholders' funds	10	<u>356,709</u>	<u>364,761</u>



A J McDonald
Director

Date approved by the Directors 5 May 2011

EUPHEMIA LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1. Accounting policies

(a) Basis of preparation

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards and the accounting policies below

(b) Cash flow statement

The Company has taken advantage of the exemption in paragraph 12b of FRS 1, 'Cash flow statements' whereby it is not required to publish its own statement of cash flows. The accounts of National Express Group PLC for the year ended 31 December 2010 contain a consolidated statement of cash flows

(c) Foreign exchange

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the period end. Foreign currency transactions arising during the period are translated into sterling at the rate of exchange ruling on the date of the transaction. Any exchange differences so arising are dealt with through the profit and loss account

(d) Taxation

The charge/credit for current taxation is based on the profit/loss for the period as adjusted for disallowable items

2. Operating loss

Audit fees are borne by other Group companies. The amount attributable to Euphemia Limited is £5,000 (2009 £5,000)

There were no employees during the year (2009 nil)

3. Directors' remuneration

None of the directors received any remuneration from the Company during the year (2009 £nil). The Directors do not believe that it is practicable to apportion remuneration received between their services as Directors of the Company and their services as directors of other companies within the group

4. Interest receivable and similar income

	2010 £'000	2009 £'000
Interest receivable on current asset investments	3	6

EUPHEMIA LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

5. Taxation

(a) Analysis of taxation charge for the year

	2010 £'000	2009 £'000
Current taxation		
UK corporation tax charge at an average rate of 28% (2009 28%)	4,001	2
Adjustments in respect of prior periods	4,054	-
Tax charge on profit on ordinary activities	<u>8,055</u>	<u>2</u>

(b) Factors affecting the current tax charge for the year

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	<u>3</u>	<u>6</u>
UK corporation tax rate at an average rate of 28% (2009 28%)	1	2
Transfer pricing adjustment	4,000	-
Adjustments in respect of prior periods	4,054	-
Current tax charge for the year	<u>8,055</u>	<u>2</u>

(c) Factors affecting future years tax charges

On the 22 June 2010, the UK Chancellor of the Exchequer announced a number of corporate tax reforms. The following changes to corporation tax will have an impact on the company:

- Corporation tax rate reduction from 28% to 24% over 4 years. This reduction will be staggered as a 1% reduction each year, the first reduction of 1% is effective from 1 April 2011.
- As of 1 April 2012 the tax amortisation rate on plant and machinery capital additions will be reduced from 20% to 18% per annum. There has also been a decrease of the tax amortisation rate on long-life assets (those assets capable of being used for more than 25 years) from 10% to 8%.
- On the 22 March 2011, the UK Chancellor of the Exchequer announced a further 1% reduction in the UK Corporation tax rate to 26% effective from 1 April 2011, along with subsequent reductions of 1% each year to a final rate of 23%.

EUPHEMIA LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

6. Debtors

	2010 £'000	2009 £'000
Amounts owed by parent company	317,505	317,507
Amounts owed by group companies	46,603	46,603
Accrued income	1	-
	<u>364,109</u>	<u>364,110</u>

7. Creditors, amounts falling due within one year

	2010 £'000	2009 £'000
Corporation tax payable	<u>8,055</u>	<u>2</u>

8. Share capital

	2010 £'000	2009 £'000
Authorised:		
1,000,000,000 (2009 1,000,000,000) Ordinary shares of \$1 each	<u>551,739</u>	<u>551,739</u>
Allotted, called-up and fully paid:		
535,000,000 (2009 535,000,000) Ordinary shares of \$1 each	<u>295,181</u>	<u>295,181</u>

9. Reserves

	Capital reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2010	64,399	5,181	69,580
Retained loss for the year	<u>-</u>	<u>(8,052)</u>	<u>(8,052)</u>
At 31 December 2010	<u>64,399</u>	<u>(2,871)</u>	<u>61,528</u>

The capital reserve represents the consideration received on the issue of share capital in excess of the amount required to be taken to share capital and the share premium account by the Companies Act 2006

EUPHEMIA LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

10. Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Retained (loss)/profit for the year	(8,052)	4
Shareholders' funds at start of year	<u>364,761</u>	<u>364,757</u>
Shareholders' funds at end of year	<u>356,709</u>	<u>364,761</u>

11. Related party transactions

The Company has taken advantage of the exemption in paragraph 3c of FRS 8, 'Related party disclosures' from disclosing transactions with related parties that are part of the National Express Group or investees of the Group

12. Ultimate parent and controlling company

The Company is a wholly owned subsidiary undertaking of National Express Group PLC, registered in England and Wales and National Express Group PLC is the only company in which the Company's results are consolidated

Copies of the consolidated financial statements of National Express Group PLC are available to the public and may be obtained from

The Secretary
National Express Group PLC
National Express House
Mill Lane
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Birmingham
B5 6DD