Registered number: 2328467

ARRIVA LONDON SOUTH LIMITED

Annual report and financial statements

For the Year Ended 31 December 2015

ARRIVA LONDON SOUTH LIMITED

Company Information

Directors	P J Batty R Scowen I R Tarran I A Warr P S Adcock
Company secretary	L Edwards
Registered number	2328467
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 SOUTH LIMITED

Contents

Strategic report
For the Year Ended 31 December 2015

The directors present their Strategic report on the affairs of Arriva London South 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 and there have been no material changes since the balance sheet date.

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

The transition to FRS 101, at 1 January 2014, has resulted in net assets at 31 December 2014, being restated from £7,431,000 to £2,985,000. This is due to recognition of derivative financial instruments and more detail on the financial effect of the transition can be found in Note 22 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.

FUTURE DEVELOPMENTS
It is expected that 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.

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 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.

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

L Edwards
Company secretary

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 loss for the financial year amounted to £3,270,000 *(2014 : loss £2,542,000)*.

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 South 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 22) 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.

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements.

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.

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.

Directors' report
For the Year Ended 31 December 2015

GOING CONCERN

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate parent company DB Mobility Logistics AG, which is a wholly owned subsidiary of Deutsche Bahn AG.

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

L Edwards
Company secretary

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

Report on the financial statements

Our opinion

In our opinion Arriva London South 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 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.

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.

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 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 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

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

Statement of comprehensive income
For the Year Ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	3	104,171	112,859
Cost of sales		(94,598)	(104,347)
Gross profit		9,573	8,512
Administrative expenses		(13,528)	(13,394)
Other operating income	4	-	1,864
Operating loss	5	(3,955)	(3,018)
Interest payable and similar charges	8	(6)	(8)
Loss on ordinary activities before taxation		(3,961)	(3,026)
Tax on loss on ordinary activities	9	691	484
Loss for the financial year		(3,270)	(2,542)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Changes in market value of cash flow hedges	16	(946)	(5,281)
Deferred tax attributable to changes in market value of cash flow hedges	17	60	1,056
		(886)	(4,225)
Total comprehensive expense for the financial year		(4,156)	(6,767)

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 11 to 28 form part of these financial statements.

Balance sheet
As at 31 December 2015

	Note		2015 £000		2014 £000
Fixed assets					
Intangible assets	10		**719**		*959*
Tangible assets	11		**25,481**		*27,064*
			26,200		*28,023*
Current assets					
Stocks	12	**530**		*550*	
Debtors	13	**7,376**		*6,622*	
Cash at bank and in hand		**1**		*1*	
		7,907		*7,173*	
Creditors: Amounts falling due within one year	14	**(31,865)**		*(28,673)*	
Net current liabilities			**(23,958)**		*(21,500)*
Total assets less current liabilities			**2,242**		*6,523*
Creditors: Amounts falling due after more than one year	15		**(3,413)**		*(3,538)*
Net (liabilities) / assets			**(1,171)**		*2,985*
Capital and reserves					
Called up share capital	18		**3,992**		*3,992*
Share premium account			**3,991**		*3,991*
Cash flow hedge reserve			**(5,332)**		*(4,446)*
Profit and loss account			**(3,822)**		*(552)*
Total shareholders' (deficit) / funds			**(1,171)**		*2,985*

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 11 to 28 form part of these financial statements.

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

	Called up share capital £000	Share premium £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' funds / (deficit) £000
At 1 January 2015	3,992	3,991	(4,446)	(552)	2,985
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(3,270)	(3,270)
Changes in market value of cash flow hedges	-	-	(946)	-	(946)
Deferred tax attributable to changes in market value of cash flow hedges	-	-	60	-	60
Other comprehensive expense for the year	-	-	(886)	-	(886)
Total comprehensive expense for the year	-	-	(886)	(3,270)	(4,156)
At 31 December 2015	3,992	3,991	(5,332)	(3,822)	(1,171)

The notes on pages 11 to 28 form part of these financial statements.

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

	Called up share capital £000	Share premium £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2014 (as previously stated)	3,992	3,991	-	1,990	9,973
Effect of transition to FRS 101 (Note 22)	-	-	(221)	-	(221)
At 1 January 2014 (as restated)	3,992	3,991	(221)	1,990	9,752
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(2,542)	(2,542)
Changes in market value of cash flow hedges	-	-	(5,281)	-	(5,281)
Deferred tax attributable to changes in market value of cash flow hedges	-	-	1,056	-	1,056
Other comprehensive expense for the year	-	-	(4,225)	-	(4,225)
Total comprehensive expense for the year	-	-	(4,225)	(2,542)	(6,767)
At 31 December 2014	3,992	3,991	(4,446)	(552)	2,985

The notes on pages 11 to 28 form part of these financial statements.

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 retained earnings, and in accordance with the Companies Act 2006.

Information on the impact of first-time adoption of FRS 101 is given in note 22.

1.3 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.

1.4 INTANGIBLE FIXED ASSETS AND AMORTISATION

Intangible fixed 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 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. ACCOUNTING POLICIES (continued)

1.6 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 charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Depreciation is provided on the following bases:

Plant, machinery, fixtures and motor vehicles	-	10% to 48% straight line
Public service vehicles	-	straight line over periods up to 15 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

1.7 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 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 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. **ACCOUNTING POLICIES (continued)**

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.

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 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.

1.12 PENSIONS

During the year the UK 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 the statement of comprehensive income as they arise.

Arriva London North Limited also operates a defined benefit pension scheme. 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 statement of comprehensive income in the period in which they fall due.

1. ACCOUNTING POLICIES (continued)

1.13 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 21 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 22.

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.

1. ACCOUNTING POLICIES (continued)

1.14 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.

1. ACCOUNTING POLICIES (continued)

1.15 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.

1.16 GOING CONCERN

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate parent company DB Mobility Logistics AG, which is a wholly owned subsidiary of Deutsche Bahn AG.

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 11 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 12 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 13 for the carrying amount of debtors.

3. TURNOVER

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

All turnover arose within the United Kingdom.

4. OTHER OPERATING INCOME

	2015 £000	*2014 £000*
Contract termination fees	-	*1,864*
	-	*1,864*

5. OPERATING LOSS

The operating loss is stated after charging:

	2015 £000	2014 £000
Depreciation of tangible fixed assets - owned	5,699	7,404
Depreciation of tangible fixed assets - held under hire purchase	-	135
Amortisation of intangible assets	240	240
Cost of stocks recognised as an expense	8	55

During the year, no director received any emoluments in respect of their services to the company (2014 : £NIL). The company made a profit on disposal of tangible fixed assets of £73,000 (2014 : £11,000).

6. AUDITORS' REMUNERATION

During the year, the audit fees were borne by Arriva London North Limited, a fellow group undertaking.

7. STAFF COSTS

Staff costs were as follows:

	2015 £000	2014 £000
Wages and salaries	56,847	58,766
Social security costs	5,578	5,790
Other pension costs (Note 19)	1,702	2,106
	64,127	66,662

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

	2015 No.	2014 No.
Drivers	1,305	1,391
Engineering	95	100
Administrative	156	169
	1,556	1,660

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £000	*2014 £000*
Other interest payable	6	*8*
	6	*8*

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	2015 £000	*2014 £000*
Corporation tax		
Current tax on loss for the year	(868)	*(418)*
Adjustments in respect of previous years	13	*110*
Total current tax	(855)	*(308)*
Deferred tax		
Origination and reversal of timing differences	176	*(168)*
Adjustments in respect of previous years	(12)	*(8)*
Total deferred tax (Note 17)	164	*(176)*
Total taxation on loss on ordinary activities	(691)	*(484)*

9. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than *(2014 - higher 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*
Loss on ordinary activities before tax	**(3,961)**	*(3,026)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.50%)	**(802)**	*(651)*
Effects of:		
Non-tax deductible amortisation of intangible fixed assets	**49**	*52*
Adjustments to tax charge in respect of prior years	**-**	*102*
Impact of rate change on deferred tax	**62**	*13*
Total tax credit for the year	**(691)**	*(484)*

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.

10. INTANGIBLE ASSETS

	Licences £000
Cost	
At 1 January 2015	**3,600**
At 31 December 2015	**3,600**
Accumulated amortisation	
At 1 January 2015	**2,641**
Charge for the year	**240**
At 31 December 2015	**2,881**
Net book value	
At 31 December 2015	**719**
At 31 December 2014	*959*

11. TANGIBLE ASSETS

	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
Cost			
At 1 January 2015	3,577	31,032	34,609
Additions	226	6,178	6,404
Disposals	-	(8,069)	(8,069)
At 31 December 2015	3,803	29,141	32,944
Accumulated depreciation			
At 1 January 2015	2,002	5,543	7,545
Charge for the year	293	5,406	5,699
Disposals	-	(5,781)	(5,781)
At 31 December 2015	2,295	5,168	7,463
Net book value			
At 31 December 2015	1,508	23,973	25,481
At 31 December 2014	*1,575*	*25,489*	*27,064*

The depreciation charged to the financial statements in the year in respect of assets held under finance leases or hire purchase contracts, totalled £Nil during the year (2014 : £135,000).

12. STOCKS

	2015 £000	*2014 £000*
Raw materials and consumables	530	*550*
	530	*550*

13. DEBTORS

	2015 £000	2014 £000
Due within one year		
Amounts owed by group undertakings	218	581
Other debtors	85	59
Prepayments and accrued income	4,475	3,730
Group relief repayable	868	418
Deferred taxation	1,730	1,834
	7,376	6,622

14. CREDITORS: Amounts falling due within one year

	2015 £000	2014 £000
Amounts owed to group undertakings	22,141	19,470
Accruals and deferred income	6,633	6,794
Derivative financial instruments	3,091	2,409
	31,865	28,673

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

	2015 £000	2014 £000
Accruals and deferred income	-	389
Derivative financial instruments	3,413	3,149
	3,413	3,538

16. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments relate to cash flow hedges which 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 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	*2014*
	£000	*£000*
Creditors: Amounts falling due within one year	**3,091**	*2,409*
Creditors: Amounts falling due more than one year	**3,413**	*3,149*
	6,504	*5,558*

17. DEFERRED TAXATION

	Deferred tax
	£000
At 1 January 2015	**1,834**
Charged to comprehensive income	**(164)**
Credited to other comprehensive income	**60**
At 31 December 2015	**1,730**

The deferred tax asset is made up as follows:

	2015	*2014*
	£000	*£000*
Excess of depreciation of fixed assets over capital allowances	**559**	*723*
Derivative financial instruments	**1,171**	*1,111*
	1,730	*1,834*

18. SHARE CAPITAL

	2015 £000	*2014 £000*
Authorised		
15,000,000 Ordinary shares of £1 each (2014: 15,000,000)	**15,000**	*15,000*
Allotted, called up and fully paid		
3,992,000 Ordinary shares of £1 each (2014: 3,992,000)	**3,992**	*3,992*

19. PENSION COMMITMENTS

At 31 December 2015 the UK intermediate parent company, Arriva plc, operated a contract based retirement benefit scheme providing benefits to certain employees within Arriva London South Limited and Arriva London North Limited operated a defined benefit scheme, to which the company contributed. 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 2015, using the Projected Unit Method. The principal actuarial assumptions were that:

(i) the annual rate of return on investment would be 3.65% higher than the annual increase in total pensionable remuneration of 1%; 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 2015 was sufficient to cover 53.3% of the benefits then accrued to members. The market value of the Scheme's assets at 5th April 2015 was £173,800,000.

The pension cost for the year represents contributions payable by the company to both schemes and amounts to £1,702,000 (2014: £2,106,000).

IAS 19 'Employee benefits' (revised 2011)

The company makes contributions to a defined benefit Scheme, the Arriva London North and Arriva London South Pension Scheme which is operated by the UK intermediate parent company, Arriva London North Limited. 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 2015. 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 statement of comprehensive income in the year in which they fall due.

20. 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 buildings		
Not later than 1 year	**202**	*202*
Later than 1 year and not later than 5 years	**750**	*750*
Later than 5 years	**961**	*1,148*
Other leases		
Not later than 1 year	**2,352**	*905*
Later than 1 year and not later than 5 years	**1,415**	*-*
Later than 5 years	**520**	*-*

21. 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 South 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 South Limited and DB Mobility Logistics AG is the smallest.

Information on Arriva London South 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.

22. FIRST TIME ADOPTION OF FRS 101

	Note	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		**25,943**	**-**	**25,943**	*28,023*	*-*	*28,023*
Current assets	1,2	**5,343**	**96**	**5,439**	*6,061*	*1,112*	*7,173*
Creditors: amounts falling due within one year	1	**(21,313)**	**(50)**	**(21,363)**	*(26,264)*	*(2,409)*	*(28,673)*
Net current liabilities		**(15,970)**	**46**	**(15,924)**	**(20,203)**	*(1,297)*	**(21,500)**
Total assets less current liabilities		**9,973**	**46**	**10,019**	**7,820**	*(1,297)*	**6,523**
Creditors: amounts falling due after more than one year	1	**-**	**(267)**	**(267)**	*(389)*	*(3,149)*	*(3,538)*
Net assets		**9,973**	**(221)**	**9,752**	**7,431**	*(4,446)*	**2,985**
Total shareholders' funds		**9,973**	**(221)**	**9,752**	*7,431*	*(4,446)*	*2,985*

22. FIRST TIME ADOPTION OF FRS 101 (continued)

	Note	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 101 (as restated) 31 December 2014 £000
Turnover		112,859	-	112,859
Cost of sales		(104,347)	-	(104,347)
Gross profit		**8,512**	-	**8,512**
Administrative expenses		(13,394)	-	(13,394)
Other operating income		1,864	-	1,864
Operating loss		**(3,018)**	-	**(3,018)**
Interest payable and similar charges		(8)	-	(8)
Taxation		484	-	484
Loss for the financial year		**(2,542)**	-	**(2,542)**

Explanation of changes to previously reported profit and equity:

1 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.

2 Deferred taxation
Due to the recognition of derivatives, deferred tax calculations were revised.