COMPANY REGISTRATION NUMBER 04337645

ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

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FINANCIAL STATEMENTS

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ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	R W Holland D C J Applegarth A Furlong T S Bell I P Bullock
Company secretary	E A Thorpe
Registered office	St Mary's House 47 Penarth Road Cardiff CF10 5DJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors 89 Sandyford Road Newcastle upon Tyne NE1 8HW

ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED
THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2007

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007

Principal activity

The principal activity of the company during the year was the operation of passenger railway services

Results and dividends

Details of the results for the year are set out on page 6 The profit for the year ended 31 December 2007 was £8,324,000 (2006 £6,048,000)

The company paid a dividend of £14,000,000 during the year (2006 £4,000,000)

Business review and prospects

The directors believe that the company continues to be in an excellent position to continually develop and improve the rail services in Wales During 2007 Arriva Trains Wales/Trenau Arriva Cymru Limited continued to secure investment in our stations, fleet and services through partnerships and liaison with our stakeholders

Arriva Trains Wales/Trenau Arriva Cymru Limited's aim is to meet or exceed expectations of all stakeholders without detriment to service quality and levels Arriva Trains Wales has a strong track record and will continue to demonstrate its determination and ability to deliver

The directors consider the state of the company's affairs to be satisfactory and there have been no material changes since the balance sheet date

Financial risk management objectives and policies

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

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

Directors

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

D C J Applegarth	
R W Holland	
A Furlong	
T S Bell	(Appointed 1 January 2008)
I P Bullock	(Appointed 1 January 2008)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 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 is a director at the date of approval of this report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Creditor payment

The company's policy regarding the payment of suppliers is to agree terms of payment at the start of business with each supplier to ensure that the supplier is made aware of the payment terms, and to pay in accordance with its contractual or legal obligations At 31 December 2007 the company's trade creditors outstanding represented approximately 41 days' purchases (2006 33 days)

Disabled employees

The company continues to give full and fair consideration to applications for employment by disabled persons, having regard to their respective aptitudes and abilities The company's policy includes, where applicable, the continued employment of those who may become disabled during their employment

Employee involvement

The company has continued its policy of employee involvement, by making information available to employees and encouraging their participation in schemes which are related to the company's progress and profitability

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office An elective resolution has been passed to dispense with the obligation to appoint auditors annually

By order of the board

E A Thorpe
Company secretary

5 March 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of Arriva Trains Wales Limited/Trenau Arriva Cymru Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, 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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

28 April 2008

ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

	Note	2007 £000	2006 £000
Turnover			
Passenger income		74,914	65,161
Franchise payments		148,257	142,031
Other income		25,330	45,705
Total Turnover	2	248,501	252,897
Cost of sales		(239,132)	(246,007)
Operating profit	3	9,369	6,890
Interest receivable and similar income	6	1,251	1,123
Pension finance credit	17	1,400	800
Interest payable and similar charges	6	(27)	(19)
Profit on ordinary activities before taxation		11,993	8,794
Tax on profit on ordinary activities	7	(3,669)	(2,746)
Profit for the financial year	19	8,324	6,048

All amounts relate to continuing operations

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

The notes on pages 9 to 19 form part of these financial statements

ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2007

	Note	2007 £000	2006 £000
Profit for the financial year	19	8,324	6,048
Actuarial gain on pension scheme	17	5,168	3,238
Movement on deferred tax relating to actuarial gains	16	(1,631)	(973)
Total recognised gains and losses relating to the year		11,861	8,313

The notes on pages 9 to 19 form part of these financial statements

ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	2007 £000	2006 £000
Fixed assets			
Intangible assets	10	8,800	9,600
Tangible assets	11	16,041	13,743
		24,841	23,343
Current assets			
Stocks	12	1,044	1,297
Debtors	13	27,578	36,473
Cash at bank and in hand		16,645	13,021
		45,267	50,791
Creditors: Amounts falling due within one year	14	(48,171)	(45,230)
Net current (liabilities)/assets		(2,904)	5,561
Total assets less current liabilities		21,937	28,904
Creditors: Amounts falling due after more than one year	15	(1,482)	(2,452)
Provisions for liabilities			
Deferred taxation	16	-	(75)
Net assets excluding pension liability		20,455	26,377
Pension liability	17	(2,881)	(6,664)
Net assets including pension liability		17,574	19,713
Capital and reserves			
Called-up share capital	18	5,000	5,000
Profit and loss account	19	12,574	14,713
Total shareholders' funds	20	17,574	19,713

These financial statements were approved by the directors on 5 March 2008 and were signed on their behalf by

A Furlong
Director

The notes on pages 9 to 19 form part of these financial statements

1 Accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985, and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

Cash flow statement

The company is a wholly owned subsidiary and the ultimate parent company has prepared a group cash flow statement Accordingly, under Financial Reporting Standards No 1 (Revised), the company is exempt from preparing a cash flow statement

Turnover

Passenger income represents amounts agreed as attributable to the company by the income allocation systems of Rail Settlement Plan Limited mainly in respect of passenger receipts Income is attributed based principally on models of certain aspects of passengers' travel patterns and to a lesser extent from allocations agreed for specific revenue flows The attributed share of season ticket income is deferred within creditors and released to the profit and loss account over the period of the relevant season ticket

Franchise payments relate to amounts receivable from the Welsh Assembly Government and the Department for Transport Income is recognised on an accruals basis

Other income is derived from commissions, rental income, train maintenance and sub-leasing, and other services excluding value added tax It is recognised in the profit and loss account on an accruals basis

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 Buildings and infrastructure are capitalised at cost subject to a minimum monetary level of £10,000 Fixtures and fittings are capitalised at cost subject to a minimum monetary level of £1,000 Depreciation is provided on a straight-line basis to write off the cost of fixed assets over their expected useful economic lives as follows

Fixtures, fittings, plant and machinery	-	1 to 5 years
Rolling stock	-	up to 35 years

Intangible assets

Intangible assets relate to the right to operate the Arriva Trains Wales Franchise The assets are capitalised at cost at the start of the franchise and are amortised on a straight line basis over the life of the franchise agreement

Capital grants

Capital grants are credited to deferred grant income on the balance sheet and released to the profit and loss account over the estimated useful economic lives of the related assets

Leasing

Rentals under operating leases are charged to the profit and loss account as they are incurred

Deferred taxation

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

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

1. Accounting policies (continued)

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

Stock

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

Pensions

Certain employees of Arriva Trains Wales/Trenau Arriva Cymru Limited participate in funded defined benefit sections, which form part of the overall Railways Pension Scheme ('RPS') Employees also participate in a defined contribution scheme operated by the ultimate parent company, Arriva plc

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, 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 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 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 the profit and loss account as required The return on scheme assets and interest obligation on scheme liabilities comprise a pension finance adjustment which is included in interest Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to reserves in the period they arise

Contributions payable under defined contribution schemes are charged to the profit and loss account as they arise

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities, or equity instruments An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

2 Turnover

The turnover was derived from the company's principal activity which was carried out wholly in the UK, and includes £8,564,000 of Rail Passenger Partnership Funding (2006 £7,389,000)

3. Operating profit

Operating profit is stated after charging

	2007 £000	2006 £000
Depreciation of tangible assets	**3,029**	2,068
Auditors' remuneration		
- audit fees	**8**	20
- other services	**50**	-
Operating lease rentals		
- rolling stock charges	**34,979**	35,523
- land and building charges	**12,274**	11,547
- track access charges payable to Network Rail	**69,019**	66,285

4 Staff costs

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

	2007	2006
	No	No
Drivers	638	625
Engineering	212	259
Administration	291	288
Operations	907	898
	2,048	2,070

The aggregate payroll costs of the above were

	2007	2006
	£000	£000
Wages and salaries	60,947	58,689
Social security costs	4,524	4,711
Other pension costs	6,452	5,704
Staff costs	71,923	69,104

5 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2007	2006
	£000	£000
Directors' emoluments	329	247

Retirement benefits are accruing to 2 directors (2006 2) under defined benefit schemes

Emoluments of highest paid Director

	2007	2006
	£000	£000
Total emoluments (excluding pension contributions)	230	109

Benefits are accruing under a defined benefits pension scheme and, at the year end, the accrued pension amounted to £14,043 (2006 £11,900)

6 Interest

	2007	2006
	£000	£000
Interest receivable and similar income:		
Bank interest and other interest receivable	1,251	1,123
Interest payable and similar charges		
Other interest payable	27	19

7 **Tax on profit on ordinary activities**

(a) Analysis of charge in the year

	2007 £000	2006 £000
Current tax		
In respect of the year		
UK corporation tax	3,796	2,282
Adjustment to tax charge in respect of prior years	(105)	70
Total current tax	3,691	2,352
Deferred tax		
Current year	(105)	393
Adjustment in respect of prior years	83	1
Total deferred tax (note 16)	(22)	394
Tax on profit on ordinary activities	3,669	2,746

(b) Factors affecting current tax charge

The tax assessed for the year is higher (2006 lower) than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 £000	2006 £000
Profit on ordinary activities before taxation	11,993	8,794
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	3,598	2,638
Effects of		
Expenses not deductible for tax purposes	89	37
Differences between capital allowances and depreciation	214	(302)
Other short term timing differences	(105)	(91)
Adjustment to tax charge in respect of prior years	(105)	70
Total current tax (note 7(a))	3,691	2,352

(c) Factors that may affect future tax charges

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

8. Operating lease and similar commitments

The company has signed contracts with Network Rail Infrastructure Limited for access to the railway infrastructure (track, stations and depots)

At 31 December 2007, the company has the following annual commitments due under operating leases and similar commitments, including access to the railway infrastructure, which expire as follows

	Land and buildings £000	Rolling Stock £000	Other £000	**Total £000**
Within one year	69	-	-	**69**
Between 1 and 5 years	207	-	-	**207**
5 years and over	12,633	37,000	71,042	**120,675**
	12,909	**37,000**	**71,042**	**120,951**

At 31 December 2006, the company had the following annual commitments due under operating leases expiring as follows

	Land and buildings £000	Rolling Stock £000	Other £000	Total £000
Within one year	8	243	-	251
Between 1 and 5 years	120	-	-	120
5 years and over	11,958	34,058	67,912	113,928
	12,086	34,301	67,912	114,299

9 Dividends

The following dividends have been paid in respect of the year

	2007 £000	2006 £000
Final dividend on ordinary shares of £2 80 per share (2006 £0 80 per share)	**14,000**	4,000

10. Intangible assets

	Intangibles £000
Cost	
At 1 January 2007 and at 31 December 2007	**12,000**
Accumulated amortisation	
At 1 January 2007	2,400
Charge for the year	800
At 31 December 2007	**3,200**
Net book value	
At 31 December 2007	**8,800**
At 31 December 2006	9,600

Intangible assets relate to the right to operate the Arriva Trains Wales Franchise

11. Tangible assets

	Rolling stock £000	Plant and machinery, fixtures and fittings £000	Total £000
Cost			
At 1 January 2007	806	17,697	18,503
Additions	-	5,327	5,327
At 31 December 2007	**806**	**23,024**	**23,830**
Accumulated depreciation			
At 1 January 2007	53	4,707	4,760
Charge for the year	332	2,697	3,029
At 31 December 2007	**385**	**7,404**	**7,789**
Net book value			
At 31 December 2007	**421**	**15,620**	**16,041**
At 31 December 2006	753	12,990	13,743

12 Stocks

	2007 £000	2006 £000
Raw materials and consumables	1,044	1,297

13. Debtors

	2007 £000	2006 £000
Trade debtors	17,685	20,881
Amounts due from fellow subsidiary undertakings	92	117
Other debtors	6,513	6,727
Prepayments and accrued income	3,236	8,748
Deferred taxation (note 16)	52	-
	27,578	36,473

14 Creditors: Amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	18,094	15,517
Amounts owed to group undertakings	82	51
Other creditors	5,581	4,799
Corporation tax payable	3,691	4,721
Other taxation and social security	2,662	3,386
Accruals and other deferred income	18,061	16,756
	48,171	45,230

15 Creditors. Amounts falling due after more than one year

	2007 £000	2006 £000
Accruals and other deferred income	**1,482**	2,452

16 Deferred taxation

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

	2007 £000	2006 £000
Accelerated capital allowances	**(80)**	(292)
Other timing differences	**132**	217
Deferred tax excluding that relating to pension liability	**52**	(75)
Deferred tax relating to pension liability	**1,120**	2,856
Total deferred tax	**1,172**	2,781

The movement in the deferred tax balance during the year was	**Total £000**
At 1 January 2007	**2,781**
Deferred tax charged in the profit and loss account	**22**
Deferred tax charged to the statement of total recognised gains and losses	**(1,631)**
At 31 December 2007	**1,172**

The movement in deferred tax balance excluding deferred tax balance on pension liability during the year was	**£000**
Deferred tax liability at 1 January 2007	**(75)**
Charged to profit and loss account	**127**
Deferred tax asset at 31 December 2007 (note 13)	**52**

17. Pensions

Certain employees of Arriva Trains Wales/Trenau Arriva Cymru Limited participate in funded defined benefit sections, which form part of the overall Railways Pension Scheme ('RPS')

The directors believe that separate consideration should be given to the RPS under FRS 17 as the company has no rights or obligations in respect of the scheme following the expiry of the franchise

The calculations used to assess the FRS 17 liabilities of the company's sections of the RPS are based on the most recent actuarial valuations, updated by qualified independent actuaries to 31 December 2007 The scheme's assets are stated at their market value at 31 December 2007

The following financial assumptions have been used

	2007	2006	2005	2004
	%	%	%	%
Rate of increase in salaries	**4 2**	4 1	3 8	3 8
Rate of increase in pensions in payment	**3 0**	2 9	2 6	2 6
Rate of increase in deferred pensions	**3 2**	2 9	2 6	2 6
Discount rate	**5 9**	5 2	4 9	5 4
Inflation assumption	**3.2**	2 9	2 6	2 6

The fair value of the assets in the RPS sections and the expected rate of return, the present value of the related liabilities and the resulting deficit are

		2007		2006		2005
	Long-term rate of return expected %	**Value £000**	Long-term rate of return expected %	Value £000	Long-term rate of return expected %	Value £000
Equities	**8 25**	**117,600**	8 25	105,100	7 6	92,436
Bonds	**5 5**	**15,400**	4 8	12,900	4 2	11,501
Property	**7 25**	**13,900**	7 0	12,400	3 8	4,931
Other	**5 9**	**300**	5 2	400	-	-
Total market value of assets		**147,200**		130,800		108,868
Present value of scheme liabilities		**(153,868)**		(146,667)		(130,638)
Deficit in the scheme		**(6,668)**		(15,867)		(21,770)
Deficit not relating to scheme members		**2,667**		6,347		8,708
		(4,001)		(9,520)		(13,062)
Related deferred tax asset		**1,120**		2,856		3,919
Net pension deficit		**(2,881)**		(6,664)		(9,143)

The deficit disclosed for the RPS represents 60 per cent of the full liability of the relevant sections of the RPS, in accordance with trustee guidelines which detail how the scheme surpluses and shortfalls are shared between the employer and scheme members

17 Pensions (continued)

The costs of the scheme for the year were as follows

Analysis of the amount charged to operating profit

	2007 £000	2006 £000
Current service cost	(6,452)	(6,100)
Past service adjustment	-	400
Total operating charge	(6,452)	(5,700)

Analysis of the amount credited to finance income

	2007 £000	2006 £000
Expected return on assets in the scheme	6,100	4,700
Interest on liabilities	(4,700)	(3,900)
Total finance credit	1,400	800

Analysis of the amount recognised in the statement of total recognised gains and losses

	2007 £000	2006 £000
Difference between expected and actual return on assets	1,140	5,000
Experience gains arising from scheme liabilities	(3,071)	-
Effect of changing the financial assumptions	7,099	(1,762)
Actuarial gains	5,168	3,238

An analysis of the movements in the present value of defined benefit obligations for the year ended 31 December is as follows

	2007 £000	2006 £000
At 1 January	(146,667)	(130,638)
Current service cost	(6,452)	(6,100)
Members contributions paid	(4,196)	(3,900)
Interest cost *	(7,833)	(6,500)
Benefits paid	4,600	2,400
Past service cost *	-	700
Actuarial gain / (loss) *	6,680	(2,629)
At 31 December	(153,868)	(146,667)

An analysis of the movements in the fair value of scheme assets for the year ended 31 December is as follows

	2007 £000	2006 £000
At 1 January	130,800	108,868
Expected return on plan assets *	10,167	7,800
Total contributions	8,900	8,400
Benefits paid	(4,600)	(2,400)
Actuarial gains *	1,933	8,132
At 31 December	147,200	130,800

* Before RPS shared cost adjustment

17 **Pensions (continued)**

The movement in the present value of defined benefit obligations and in the fair value of the scheme assets do not take into account the shared cost nature of the RPS The profit and loss account and the statement of recognised gains and losses include 60 per cent of the relevant RPS amounts

Cumulative actuarial gains and losses recognised in equity

	2007 £000	2006 £000
At 1 January	**2,298**	(940)
Actuarial gain recognised in the year	**5,168**	3,238
At 31 December	**7,466**	2,298

History of experience gains and losses

	2007	2006	2005
Experience adjustments on scheme assets			
- Amounts (£000)	**1,140**	5,000	12,650
- Percentage of scheme assets	**0 8**	3 8	11 6
Experience adjustments on scheme liabilities			
- Amounts (£000)	**3,071**	-	826
- Percentage of scheme liabilities	**2 0**	-	0 6

The company expects to make contributions of approximately £5 7 million to the defined benefit scheme during the next financial year

18 **Called up share capital**

Authorised share capital:

	2007 £000	2006 £000
5,000,000 ordinary shares of £1 each	**5,000**	5,000

Allotted and fully paid

	2007 No	2007 £000	2006 No	2006 £000
Ordinary shares of £1 each	**5,000,000**	**5,000**	5,000,000	5,000

19. **Reserves**

	Profit and loss account 2007 £000
Balance brought forward	**14,713**
Retained profit for the financial year	**8,324**
Dividends	**(14,000)**
Actuarial gain on pension scheme	**5,168**
Deferred tax relating to actuarial gain	**(1,631)**
Balance carried forward	**12,574**

20 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit for the financial year	**8,324**	6,048
Dividends	**(14,000)**	(4,000)
Actuarial gain on pension scheme	**5,168**	3,238
Deferred tax relating to actuarial gain	**(1,631)**	(973)
Net (reduction to)/increase in shareholders' funds	**(2,139)**	4,313
Opening shareholders' funds	**19,713**	15,400
Closing shareholders' funds	**17,574**	19,713

21 Ultimate parent company

The ultimate parent company and ultimate controlling party is Arriva plc, a company registered in England and Wales, and which is the smallest and largest group of undertakings that has prepared group accounts incorporating the results of Arriva Trains Wales/Trenau Arriva Cymru Limited Copies of these accounts can be obtained from Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP

Transactions with other companies in the Arriva Group are not specifically disclosed as the company has taken advantage of the exemption available under FRS 8 'Related party disclosures' for wholly-owned subsidiaries