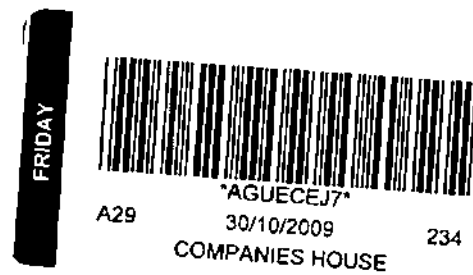


COMPANY REGISTRATION NUMBER 04337645

**ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU  
LIMITED**

**FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2008**



**ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

---

<b>Contents</b>	<b>Pages</b>
Officers and professional advisers	<b>1</b>
The directors' report	<b>2 - 4</b>
Independent auditors' report to the members of Arriva Trains Wales/Trenau Arriva Cymru Limited	<b>5</b>
Profit and loss account	<b>6</b>
Statement of total recognised gains and losses	<b>7</b>
Balance sheet	<b>8</b>
Notes to the financial statements	<b>9 - 19</b>

---

# **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  
M D Bagshaw  
D H Baker  
P J Leppard  
J D Veitch

### **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 2008**

---

The directors present their report and the audited financial statements of the company for the year ended 31 December 2008.

### **Principal activities**

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 2008 was £10,539,000 (2007: £8,324,000).

The company paid a dividend of £9,000,000 during the year (2007: £14,000,000).

### **Business review and future developments**

The directors believe that the company continues to be in an excellent position to continually develop and improve the rail services in Wales. During 2008 Arriva Trains Wales/Trenau Arriva Cymru Limited continued to secure investment in 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/Trenau Arriva Cymru Limited 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.

#### *Major incidents*

As with any operator of public transportation there is the risk that the company is involved in a major incident, which could result in injuries to public or staff. Resulting risks include damage to the company's reputation and possible claims against the company.

#### *Revenue*

Risks and uncertainties affecting the company are considered to relate to local and national competition and factors which could cause a decline in the market.

#### *Breach of franchise*

The company is required to comply with certain conditions as part of its Franchise Agreement. If it fails to comply with these conditions it may be liable to penalties or the potential termination of the franchise. Compliance with franchise conditions are closely managed to minimise the risk of non compliance.

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.

# **ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2008**

---

### **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
M D Bagshaw	Appointed 22 April 2008
D H Baker	Appointed 22 April 2008
J D Veitch	Appointed 22 April 2008
P J Leppard	Appointed 19 May 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.

### **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 2008 the company's trade creditors outstanding represented approximately 47 days' purchases (2007: 41 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.

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2008

---

### Employee involvement

The company recognises that its employees are key to its success and is committed to creating a working environment where everyone has the opportunity to learn, develop and contribute to the success of the group, working within a common set of values.

The group continues to aim to be an employer of choice and to employ a diverse workforce with the skills, abilities and attitudes to meet business objectives and needs. The group's aim is to provide appropriate remuneration, benefits and conditions of employment which will serve to attract, retain, motivate and reward such employees.

The group has, subject to the restraints of commercial confidentiality, continued its policy of employee involvement, by making information available to employees on a regular basis regarding recent and probable future developments and business activities.

### Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/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.

### 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

4 March 2009

# **ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED**

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

**YEAR ENDED 31 DECEMBER 2008**

---

We have audited the financial statements of Arriva Trains Wales Limited/Trenau Arriva Cymru Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the officers and professional advisers section and the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **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 2008 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

27 April 2009

---

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2008

	Note	2008 £000	2007 £000
<b>Turnover</b>			
Passenger income		83,113	74,914
Franchise payments		158,440	148,257
Other income		22,280	25,330
<b>Total Turnover</b>	2	263,833	248,501
Cost of sales		(236,539)	(226,018)
<b>Gross profit</b>		27,294	22,483
Administrative expenses		(15,314)	(13,114)
<b>Operating profit</b>	3	11,980	9,369
Interest receivable and similar income	6	1,473	1,251
Pension finance credit	18	1,300	1,400
Interest payable and similar charges	7	(12)	(27)
<b>Profit on ordinary activities before taxation</b>		14,741	11,993
Tax on profit on ordinary activities	8	(4,202)	(3,669)
<b>Profit for the financial year</b>	20	10,539	8,324

All amounts relate to continuing operations.

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

The notes on pages 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 2008**

	Note	2008 £000	2007 £000
Profit for the financial year	20	10,539	8,324
Actuarial (loss)/gain on pension scheme	18	(8,395)	5,168
Movement on deferred tax relating to actuarial (loss)/gain	17	2,351	(1,631)
<b>Total recognised gains and losses relating to the year</b>		<b>4,495</b>	<b>11,861</b>

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 2008

	Note	2008 £000	2007 £000
<b>Fixed assets</b>			
Intangible assets	11	8,000	8,800
Tangible assets	12	14,471	16,041
		<u>22,471</u>	<u>24,841</u>
<b>Current assets</b>			
Stocks	13	1,095	1,044
Debtors	14	26,371	27,578
Cash at bank and in hand		27,972	16,645
		<u>55,438</u>	<u>45,267</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(54,539)</u>	<u>(48,171)</u>
<b>Net current assets/(liabilities)</b>		<u>899</u>	<u>(2,904)</u>
<b>Total assets less current liabilities</b>		<u>23,370</u>	<u>21,937</u>
<b>Creditors: Amounts falling due after more than one year</b>	16	<u>(1,896)</u>	<u>(1,482)</u>
<b>Net assets excluding pension liability</b>		<u>21,474</u>	<u>20,455</u>
<b>Pension liability</b>	18	<u>(8,405)</u>	<u>(2,881)</u>
<b>Net assets including pension liability</b>		<u>13,069</u>	<u>17,574</u>
<b>Capital and reserves</b>			
Called up share capital	19	5,000	5,000
Profit and loss account	20	8,069	12,574
<b>Total shareholders' funds</b>	21	<u>13,069</u>	<u>17,574</u>

These financial statements were approved by the directors on 4 March 2009 and were signed on their behalf by:



A Furlong  
Director

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

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

---

### 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 1985/2006 applicable to companies reporting under UK GAAP, and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period, 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 'Cashflow statements' (revised 1996), 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 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.

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. 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.

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 1. Accounting policies (continued)

#### Deferred taxation (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 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. 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.

#### Dividends

Dividend distributions to the company's shareholders are recognised in the company's financial statements in the period in which the dividends are paid.

### 2. Turnover

The turnover was derived from the company's principal activity which was carried out wholly in the UK, and includes £13,306,000 of Rail Passenger Partnership Funding (2007: £8,564,000).

### 3. Operating profit

Operating profit is stated after charging/(crediting):

	2008	2007
	£000	£000
Amortisation of intangible fixed assets	800	800
Amortisation of fixed assets grants	(1,507)	(1,279)
Depreciation of tangible assets	3,101	3,029
Loss on disposal of fixed assets	209	-
Auditors' remuneration		
- audit fees	20	8
- other services	50	50
Operating lease rentals:		
- rolling stock charges	36,687	34,979
- land and building charges	12,915	12,274
- track access charges payable to Network Rail	71,899	69,019

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 4. Staff costs

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

	2008 Number	2007 Number
Drivers	637	638
Engineering	214	212
Administration	304	291
Operations	892	907
	<u>2,047</u>	<u>2,048</u>

The aggregate payroll costs of the above were:

	2008 £000	2007 £000
Wages and salaries	63,573	60,947
Social security costs	4,800	4,524
Other pension costs	5,114	5,033
	<u>73,487</u>	<u>70,504</u>

### 5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2008 £000	2007 £000
Aggregate emoluments	625	302
Employers' pension contributions	69	27
	<u>694</u>	<u>329</u>

Retirement benefits are accruing to 7 directors (2007: 2) under defined benefit schemes.

Emoluments of highest paid director:

	2008 £000	2007 £000
Total emoluments	138	212
Employers' pension contributions	14	18
	<u>152</u>	<u>230</u>

Benefits are accruing under a defined benefits pension scheme and, at the year end, the accrued pension amounted to £54,255 (2007: £14,043).

### 6. Interest receivable and similar income

	2008 £000	2007 £000
Bank interest receivable	1,471	1,251
Other interest receivable	2	-
	<u>1,473</u>	<u>1,251</u>

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 7. Interest payable and similar charges

	2008 £000	2007 £000
Interest payable on bank overdrafts	12	27

### 8. Tax on profit on ordinary activities

#### (a) Analysis of charge in the year

	2008 £000	2007 £000
<b>Current tax:</b>		
In respect of the year:		
UK corporation tax	4,488	3,796
Adjustment to tax charge in respect of prior years	(474)	(105)
<b>Total current tax</b>	<b>4,014</b>	<b>3,691</b>

#### Deferred tax:

Current period – origination and reversal of timing differences	(210)	(105)
Adjustment in respect of prior years	398	83
<b>Total deferred tax (note 17)</b>	<b>188</b>	<b>(22)</b>
<b>Tax on profit on ordinary activities</b>	<b>4,202</b>	<b>3,669</b>

#### (b) Factors affecting current tax charge

The tax assessed for the year is lower (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
<b>Profit on ordinary activities before taxation</b>	<b>14,741</b>	<b>11,993</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	4,201	3,598
Effects of:		
Expenses not deductible for tax purposes	75	89
Capital allowances less than depreciation	419	214
Other short term timing differences	(207)	(105)
Adjustment to tax charge in respect of prior years	(474)	(105)
<b>Total current tax (note 8 (a))</b>	<b>4,014</b>	<b>3,691</b>

#### (c) Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed to 28% with effect from 1 April 2008.

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 9. 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 2008, 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	Rail access charges £000	Total £000
Within one year	155	-	-	155
Between 1 and 5 years	93	-	-	93
5 years and over	13,974	38,478	75,048	127,500
	<u>14,222</u>	<u>38,478</u>	<u>75,048</u>	<u>127,748</u>

At 31 December 2007, the company had the following annual commitments due under operating leases expiring as follows:

	Land and buildings £000	Rolling stock £000	Rail access charges £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
	<u>12,909</u>	<u>37,000</u>	<u>71,042</u>	<u>120,951</u>

### 10. Dividends

The following dividends have been paid in respect of the year:

	2008 £000	2007 £000
Final dividend on £1 ordinary shares of £1.80 per share (2007: £2.80 per share)	<u>9,000</u>	<u>14,000</u>

### 11. Intangible assets

	Intangibles £000
<b>Cost</b>	
At 1 January 2008 and at 31 December 2008	<u>12,000</u>
<b>Accumulated amortisation</b>	
At 1 January 2008	3,200
Charge for the year	<u>800</u>
At 31 December 2008	<u>4,000</u>
<b>Net book value</b>	
At 31 December 2008	<u>8,000</u>
At 31 December 2007	<u>8,800</u>

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

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 12. Tangible assets

	Rolling stock £000	Plant and machinery, fixtures and fittings £000	Total £000
<b>Cost</b>			
At 1 January 2008	806	23,024	23,830
Additions	-	5,163	5,163
Disposals	(72)	(3,608)	(3,680)
<b>At 31 December 2008</b>	<b>734</b>	<b>24,579</b>	<b>25,313</b>
<b>Accumulated depreciation</b>			
At 1 January 2008	385	7,404	7,789
Charge for the year	75	3,026	3,101
Disposals	(48)	-	(48)
<b>At 31 December 2008</b>	<b>412</b>	<b>10,430</b>	<b>10,842</b>
<b>Net book value</b>			
<b>At 31 December 2008</b>	<b>322</b>	<b>14,149</b>	<b>14,471</b>
At 31 December 2007	421	15,620	16,041

### 13. Stocks

	2008 £000	2007 £000
Raw materials and consumables	1,095	1,044

### 14. Debtors

	2008 £000	2007 £000
Trade debtors	17,927	17,685
Amounts due from group undertakings	477	92
Other debtors	2,867	6,513
Prepayments and accrued income	5,034	3,236
Deferred taxation (note 17)	66	52
	<b>26,371</b>	<b>27,578</b>

### 15. Creditors: Amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	21,500	18,094
Amounts owed to group undertakings	153	82
Other taxation and social security	2,840	2,662
Other creditors	5,128	5,581
Corporation tax	710	3,691
Accruals and deferred income	24,208	18,061
	<b>54,539</b>	<b>48,171</b>



# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 16. Creditors: Amounts falling due after more than one year

	2008 £000	2007 £000
Accruals and other deferred income	<u>1,896</u>	<u>1,482</u>

### 17. Deferred taxation

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

	2008 £000	2007 £000
Accelerated capital allowances	(134)	(80)
Other timing differences	<u>200</u>	<u>132</u>
Deferred tax excluding that relating to pension liability	66	52
Deferred tax relating to pension liability	<u>3,269</u>	<u>1,120</u>
Total deferred tax	<u>3,335</u>	<u>1,172</u>

The movement in the deferred tax balance during the year was:

	Total £000
At 1 January 2008	1,172
Deferred tax charged in the profit and loss account (note 8 (a))	(188)
Deferred tax credited to the statement of total recognised gains and losses	<u>2,351</u>
At 31 December 2008	<u>3,335</u>

The movement in deferred tax balance excluding deferred tax balance on pension liability during the year was:

	£000
Deferred tax liability at 1 January 2008	52
Charged to profit and loss account	<u>14</u>
Deferred tax asset at 31 December 2008 (note 14)	<u>66</u>

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 18. 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 2008. The scheme's assets are stated at their market value at 31 December 2008.

The following financial assumptions have been used:

	2008 %	2007 %	2006 %	2005 %
Rate of increase in salaries	3.8	4.2	4.1	3.8
Rate of increase in pensions in payment	2.7	3.0	2.9	2.6
Rate of increase in deferred pensions	2.8	3.2	2.9	2.6
Discount rate	6.6	5.9	5.2	4.9
Inflation assumption	2.8	3.2	2.9	2.6

The weighted average life expectancy for mortality tables to determine benefit obligations:

		2008 Years	2007 Years
Member age 65 (current life expectancy)	- male	17	18
	-female	19	21
Member age 45 (life expectancy at age 65)	- male	18	19
	-female	20	22

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:

	Long-term rate of return expected %	2008 Value £000	Long-term rate of return expected %	2007 Value £000	Long-term rate of return expected %	2006 Value £000
Equities	7.75	93,000	8.25	117,600	8.25	105,100
Bonds	5.50	10,300	5.50	15,400	4.80	12,900
Other	6.40	11,500	6.90	14,200	6.80	12,800
Total market value of assets		114,800		147,200		130,800
Present value of scheme liabilities		(134,256)		(153,868)		(146,667)
Deficit in the scheme		(19,456)		(6,668)		(15,867)
Deficit relating to scheme members		7,782		2,667		6,347
		(11,674)		(4,001)		(9,520)
Related deferred tax asset		3,269		1,120		2,856
Net pension deficit		(8,405)		(2,881)		(6,664)

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.

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 18. Pensions (continued)

The costs of the scheme for the year were as follows:

Analysis of the amount charged to operating profit:

	2008 £000	2007 £000
Current service cost	(6,414)	(6,452)
Total operating charge	<u>(6,414)</u>	<u>(6,452)</u>

Analysis of the amount credited to finance income:

	2008 £000	2007 £000
Expected return on assets in the scheme	7,000	6,100
Interest on liabilities	(5,700)	(4,700)
Total finance credit	<u>1,300</u>	<u>1,400</u>

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

	2008 £000	2007 £000
Difference between expected and actual return on assets	(29,320)	1,140
Experience losses arising from scheme liabilities	-	(3,071)
Effect of changing the financial assumptions	20,925	7,099
Actuarial (loss)/gain	<u>(8,395)</u>	<u>5,168</u>

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

	2008 £000	2007 £000
At 1 January	(153,868)	(146,667)
Current service cost	(6,414)	(6,452)
Members contributions paid	(3,063)	(4,196)
Interest cost *	(9,500)	(7,833)
Benefits paid	4,100	4,600
Past service cost *	-	-
Actuarial gain *	34,489	6,680
At 31 December	<u>(134,256)</u>	<u>(153,868)</u>

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

	2008 £000	2007 £000
At 1 January	147,200	130,800
Expected return on plan assets *	11,667	10,167
Total contributions	8,900	8,900
Benefits paid	(4,100)	(4,600)
Actuarial (loss)/gain *	(48,867)	1,933
At 31 December	<u>114,800</u>	<u>147,200</u>

The actual (loss)/gain on plan assets\* was £37,200,000 (2007: £12,100,000).

\* Before RPS shared cost adjustment

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 18. 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:

	2008 £000	2007 £000
At 1 January	7,466	2,298
Actuarial (loss)/gain recognised in the year	(8,395)	5,168
At 31 December	(929)	7,466

History of experience gains and losses:

	2008	2007	2006
Experience adjustments on scheme assets:			
- Amounts (£000)	(29,320)	1,140	5,000
- Percentage of scheme assets	42.6	0.8	3.8
Experience adjustments on scheme liabilities:			
- Amounts (£000)	-	3,071	-
- Percentage of scheme liabilities	-	2.0	-

The company expects to make contributions of approximately £6.3 million to the defined benefit scheme during the next financial year.

### 19. Called up share capital

Authorised share capital:

	2008 £000	2007 £000
5,000,000 ordinary shares of £1 each	5,000	5,000

Allotted and fully paid:

	2008		2007	
	Number	£000	Number	£000
Ordinary shares of £1 each	5,000,000	5,000	5,000,000	5,000

### 20. Reserves

	Profit and loss account 2008 £000
Balance brought forward	12,574
Profit for the financial year	10,539
Dividends	(9,000)
Actuarial loss on pension scheme	(8,395)
Deferred tax relating to actuarial loss	2,351
Balance carried forward	8,069

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 21. Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the financial year	10,539	8,324
Dividends	(9,000)	(14,000)
Actuarial (loss)/gain on pension scheme	(8,395)	5,168
Deferred tax relating to actuarial (loss)/gain	2,351	(1,631)
Net reduction to shareholders' funds	(4,505)	(2,139)
Opening shareholders' funds	17,574	19,713
Closing shareholders' funds	13,069	17,574

### 22. 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.