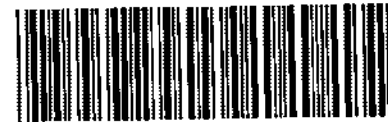


4337649

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

**FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2009**

WEDNESDAY



\*A7PH1JJQ\*

A15

28/04/2010

473

COMPANIES HOUSE

**ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2009**

---

<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  
P North

### **Company secretary**

E A Thorpe

### **Registered office**

St Mary's House  
47 Penarth Road  
Cardiff  
CF10 5DJ

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
89 Sandyford Road  
Newcastle upon Tyne  
NE1 8HW

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2009

---

### COMPANY REGISTRATION NUMBER 04337645

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009

#### 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 financial year ended 31 December 2009 was £10,189,000 (2008: £10,539,000)

Overall revenue fell in the year due to the effect of the Office of Rail Regulation's Control Period 4 (CP4) review which reduced both revenue and costs in the year, with a broadly neutral effect

The company paid a dividend of £10,000,000 during the year (2008: £9,000,000)

#### 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 2009 the company continued to secure investment in stations, fleet and services through partnerships and liaison with its stakeholders

The company's aim is to meet or exceed expectations of all stakeholders without detriment to service quality and levels. The company 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 the public or staff. Resulting risks include damage to the company's reputation and possible claims against the company

##### *Turnover*

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

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2009

---

### 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	
I P Bullock	
M D Bagshaw	
D H Baker	
J D Veitch	resigned 13 July 2009
P J Leppard	
P North	appointed 3 September 2009

### Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the 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 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 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.

### Policy on the payment of creditors

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 2009 the company's trade creditors outstanding represented approximately 44 days' purchases (2008: 47 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 2009

---

### 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

By order of the board



E A Thorpe  
Company secretary

2 March 2010

# **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 2009**

---

We have audited the financial statements of Arriva Trains Wales/Trenau Arriva Cymru Limited for the year ended 31 December 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Bill MacLeod*

Bill MacLeod (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle Upon Tyne  
27 April 2010

**ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED****PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £000	2008 £000
<b>Turnover</b>			
Passenger income		87,577	83,113
Franchise payments		134,783	158,440
Other income		23,911	22,280
<b>Total Turnover</b>	2	<u>246,271</u>	<u>263,833</u>
Cost of sales		<u>(219,897)</u>	<u>(236,539)</u>
<b>Gross profit</b>		26,374	27,294
Administrative expenses		<u>(12,547)</u>	<u>(15,314)</u>
<b>Operating profit</b>	3	13,827	11,980
Interest receivable and similar income	6	418	1,473
Interest payable and similar charges	7	-	(12)
Other finance (charge)/income	18	(180)	1,300
<b>Profit on ordinary activities before taxation</b>		<u>14,065</u>	<u>14,741</u>
Tax on profit on ordinary activities	8	<u>(3,876)</u>	<u>(4,202)</u>
<b>Profit for the financial year</b>	20	<u>10,189</u>	<u>10,539</u>

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 2009**

---

	<b>Note</b>	<b>2009 £000</b>	<b>2008 £000</b>
Profit for the financial year	<b>20</b>	<b>10,189</b>	<b>10,539</b>
Actuarial gain/(loss) on pension scheme	<b>18</b>	<b>4,541</b>	<b>(8,395)</b>
Movement on deferred tax relating to actuarial gain/(loss)	<b>17</b>	<b>(1,271)</b>	<b>2,351</b>
<b>Total recognised gains and losses relating to the year</b>		<b><u>13,459</u></b>	<b><u>4,495</u></b>

---

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

---

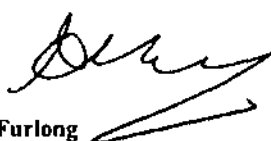
# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2009

	Note	2009 £000	2008 £000
<b>Fixed assets</b>			
Intangible assets	11	7,200	8,000
Tangible assets	12	14,994	14,471
		<u>22,194</u>	<u>22,471</u>
<b>Current assets</b>			
Stocks	13	1,226	1,095
Debtors	14	28,539	26,371
Cash at bank and in hand		39,662	27,972
		<u>69,427</u>	<u>55,438</u>
Creditors: Amounts falling due within one year	15	(67,533)	(54,539)
<b>Net current assets</b>		<u>1,894</u>	<u>899</u>
<b>Total assets less current liabilities</b>		<u>24,088</u>	<u>23,370</u>
<b>Creditors: Amounts falling due after more than one year</b>	16	(2,859)	(1,896)
<b>Provisions for liabilities</b>			
Deferred taxation	17	(39)	-
<b>Net assets excluding pension liability</b>		<u>21,190</u>	<u>21,474</u>
Pension liability	18	(4,662)	(8,405)
<b>Net assets including pension liability</b>		<u>16,528</u>	<u>13,069</u>
<b>Capital and reserves</b>			
Called up share capital	19	5,000	5,000
Profit and loss account	20	11,528	8,069
<b>Total shareholders' funds</b>	21	<u>16,528</u>	<u>13,069</u>

These financial statements were approved by the directors on 2 March 2010 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 2009

---

### 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 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 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 Standard 1 (Revised 1996) 'Cash Flow Statements', 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:

Plant and machinery, fixtures and fittings	-	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 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 2009

#### 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. Only the net deficit or net surplus that the company expects to fund or recover over the life of the franchise is recognised. 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 £16,453,000 of Rail Passenger Partnership Funding (2008: £13,306,000).

#### 3. Operating profit

Operating profit is stated after charging/(crediting)

	2009	2008
	£000	£000
Amortisation of intangible fixed assets	800	800
Amortisation of fixed assets grants	(844)	(1,507)
Depreciation of tangible fixed assets	2,882	3,101
Loss on disposal of fixed assets	-	209
Auditors' remuneration		
- audit fees	16	20
- other services	11	50
Operating lease rentals		
- rolling stock charges	36,426	36,687
- land and building charges	11,158	12,915
- track access charges payable to Network Rail Infrastructure Limited	52,879	71,899

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

### 4 Staff costs

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

	2009 Number	2008 Number
Drivers	632	637
Engineering	214	214
Administration	303	304
Operations	905	892
	<u>2,054</u>	<u>2,047</u>

The aggregate payroll costs of the above were

	2009 £000	2008 £000
Wages and salaries	67,051	63,573
Social security costs	4,861	4,800
Other pension costs	5,444	5,114
	<u>77,356</u>	<u>73,487</u>

### 5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2009 £000	2008 £000
Aggregate emoluments	861	625
Employers' pension contributions	86	69
	<u>947</u>	<u>694</u>

Retirement benefits are accruing to 7 directors (2008: 7) under defined benefit schemes

Emoluments of highest paid director

	2009 £000	2008 £000
Aggregate emoluments	175	138
Employers' pension contributions	19	14
	<u>194</u>	<u>152</u>

Benefits are accruing under a defined benefit pension scheme and, at the year end, the accrued pension amounted to £66,164 (2008: £54,255)

### 6. Interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	418	1,471
Other interest receivable	-	2
	<u>418</u>	<u>1,473</u>

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

### 7 Interest payable and similar charges

	2009 £000	2008 £000
Interest payable on bank overdrafts	-	12

### 8 Tax on profit on ordinary activities

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

	2009 £000	2008 £000
<b>Current tax:</b>		
In respect of the year		
UK corporation tax	3,967	4,488
Adjustment to tax charge in respect of prior years	(381)	(474)
<b>Total current tax (note 8 (b))</b>	<b>3,586</b>	<b>4,014</b>

#### Deferred tax

Origination and reversal of timing differences	(29)	(210)
Adjustment in respect of prior years	319	398
<b>Total deferred tax (note 17)</b>	<b>290</b>	<b>188</b>
<b>Tax on profit on ordinary activities</b>	<b>3,876</b>	<b>4,202</b>

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

The tax assessed for the year is lower (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £000	2008 £000
<b>Profit on ordinary activities before taxation</b>	<b>14,065</b>	<b>14,741</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	3,938	4,201
Effects of		
Expenses not deductible for tax purposes	-	75
Capital allowances less than depreciation	213	419
Other short term timing differences	(184)	(207)
Adjustment in respect of prior years	(381)	(474)
<b>Total current tax (note 8 (a))</b>	<b>3,586</b>	<b>4,014</b>

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

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

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2009

#### 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 2009, 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	6	-	-	6
5 years and over	10,976	36,464	48,953	96,393
	<u>10,982</u>	<u>36,464</u>	<u>48,953</u>	<u>96,399</u>

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>

#### 10. Dividends

The following dividends have been paid in respect of the year

	2009 £000	2008 £000
Final dividend on £1 ordinary shares of £2.00 per share (2008: £1.80 per share)	<u>10,000</u>	<u>9,000</u>

#### 11. Intangible assets

	Intangibles £000
<b>Cost</b>	
At 1 January 2009 and at 31 December 2009	<u>12,000</u>
<b>Accumulated amortisation</b>	
At 1 January 2009	4,000
Charge for the year	800
At 31 December 2009	<u>4,800</u>
<b>Net book value</b>	
At 31 December 2009	<u>7,200</u>
At 31 December 2008	<u>8,000</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 2009

### 12 Tangible assets

	Rolling stock £000	Plant and machinery, fixtures and fittings £000	Total £000
<b>Cost</b>			
At 1 January 2009	734	24,579	25,313
Additions	401	3,004	3,405
<b>At 31 December 2009</b>	<b>1,135</b>	<b>27,583</b>	<b>28,718</b>
<b>Accumulated depreciation</b>			
At 1 January 2009	412	10,430	10,842
Charge for the year	109	2,773	2,882
<b>At 31 December 2009</b>	<b>521</b>	<b>13,203</b>	<b>13,724</b>
<b>Net book value</b>			
<b>At 31 December 2009</b>	<b>614</b>	<b>14,380</b>	<b>14,994</b>
At 31 December 2008	322	14,149	14,471

### 13 Stocks

	2009 £000	2008 £000
Raw materials and consumables	1,226	1,095

### 14 Debtors

	2009 £000	2008 £000
Trade debtors	14,505	17,927
Amounts owed by group undertakings	99	477
Other debtors	2,250	2,867
Deferred taxation (note 17)	-	66
Prepayments and accrued income	11,685	5,034
	<b>28,539</b>	<b>26,371</b>

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

	2009 £000	2008 £000
Trade creditors	18,200	21,500
Amounts owed to group undertakings	643	153
Other taxation and social security	2,856	2,840
Other creditors	4,039	5,128
Corporation tax	3,967	710
Accruals and deferred income	37,828	24,208
	<b>67,533</b>	<b>54,539</b>



# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2009

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

	2009 £000	2008 £000
Accruals and other deferred income	<u>2,859</u>	<u>1,896</u>

#### 17. Deferred taxation

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

	2009 £000	2008 £000
Accelerated capital allowances	(225)	(134)
Other timing differences	<u>186</u>	<u>200</u>
Deferred tax (liability)/asset excluding that relating to pension liability	(39)	66
Deferred tax relating to pension liability	<u>1,813</u>	<u>3,269</u>
Total deferred tax	<u>1,774</u>	<u>3,335</u>

The movement in the deferred tax balance during the year was	<b>Total £000</b>
At 1 January 2009	3,335
Deferred tax charged in the profit and loss account (note 8 (a))	(290)
Deferred tax charged to the statement of total recognised gains and losses	<u>(1,271)</u>
At 31 December 2009	<u>1,774</u>

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

	<b>£000</b>
Deferred tax asset at 1 January 2009 (note 14)	66
Charged to profit and loss account	<u>(105)</u>
Deferred tax liability at 31 December 2009	<u>(39)</u>

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2009

#### 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 'Retirement benefits' as the company has no rights or obligations in respect of the scheme following the expiry of the franchise. This is accounted for by way of a franchise adjustment, which increased from £nil at 31 December 2008 to £29,340,000 at 31 December 2009.

The calculations used to assess the FRS 17 'Retirement benefits' 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 2009. The scheme's assets are stated at their market value at 31 December 2009.

The following financial assumptions have been used

	2009 %	2008 %	2007 %	2006 %
Rate of increase in salaries	4.5	3.8	4.2	4.1
Rate of increase in pensions in payment	3.1	2.7	3.0	2.9
Rate of increase in deferred pensions	3.5	2.8	3.2	2.9
Discount rate	5.7	6.6	5.9	5.2
Inflation assumption	3.5	2.8	3.2	2.9

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

		2009 Years	2008 Years
Member age 65 (current life expectancy)	- male	17	17
	- female	19	19
Member age 45 (life expectancy at age 65)	- male	18	18
	- female	20	20

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 %	2009 Value £000	Long-term rate of return expected %	2008 Value £000	Long-term rate of return expected %	2007 Value £000
Equities	8.25	111,900	7.75	93,000	8.25	117,600
Bonds	5.90	13,600	5.50	10,300	5.50	15,400
Other	6.50	10,900	6.40	11,500	6.90	14,200
Total market value of assets		136,400		114,800		147,200
Present value of scheme liabilities		(196,115)		(134,256)		(153,868)
Deficit in the scheme		(59,715)		(19,456)		(6,668)
Deficit relating to scheme members		23,900		7,782		2,667
Rail franchise adjustment		29,340		-		-
		(6,475)		(11,674)		(4,001)
Related deferred tax asset		1,813		3,269		1,120
Net pension deficit		(4,662)		(8,405)		(2,881)

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 and is stated after the recognition of a franchise adjustment as detailed above.

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2009

#### 18 Pensions (continued)

The directors' assessment of the expected returns is based on historical return trends, the forward looking views of financial markets (suggested by the yields available) and the views of investment organisations

The costs of the scheme for the year were as follows

Analysis of the amount charged to operating profit

	2009 £000	2008 £000
Current service cost	(4,900)	(6,414)
Past service cost	(400)	-
Total operating charge	<u>(5,300)</u>	<u>(6,414)</u>

Analysis of the amount (charged)/credited to other finance (charge)/income

	2009 £000	2008 £000
Expected return on assets in the scheme	5,340	7,000
Interest on liabilities	<u>(5,520)</u>	<u>(5,700)</u>
Other finance (charge)/income	<u>(180)</u>	<u>1,300</u>

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

	2009 £000	2008 £000
Difference between expected and actual return on assets	5,580	(29,320)
Effect of changing the financial assumptions	<u>(30,379)</u>	<u>20,925</u>
Rail franchise adjustment	<u>29,340</u>	<u>-</u>
Actuarial gain/(loss)	<u>4,541</u>	<u>(8,395)</u>

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

	2009 £000	2008 £000
At 1 January	(134,256)	(153,868)
Current service cost	(4,900)	(6,414)
Members contributions paid	(3,562)	(3,063)
Interest cost *	(9,200)	(9,500)
Benefits paid	6,300	4,100
Past service cost	(400)	-
Actuarial (loss)/gain *	<u>(50,097)</u>	<u>34,489</u>
At 31 December	<u>(196,115)</u>	<u>(134,256)</u>

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

	2009 £000	2008 £000
At 1 January	114,800	147,200
Expected return on plan assets *	8,900	11,667
Total contributions	9,700	8,900
Benefits paid	<u>(6,300)</u>	<u>(4,100)</u>
Actuarial gain/(loss) *	<u>9,300</u>	<u>(48,867)</u>
At 31 December	<u>136,400</u>	<u>114,800</u>

The actual gain on plan assets\* was £18,200,000 (2008 loss of £37,200,000)

\* Before RPS shared cost adjustment

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2009

#### 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

	2009 £000	2008 £000
At 1 January	(929)	7,466
Actuarial gain/(loss) recognised in the year	4,541	(8,395)
At 31 December	<u>3,612</u>	<u>(929)</u>

History of experience gains and losses

	2009	2008	2007
Experience adjustments on scheme assets			
- Amounts (£000)	5,580	(29,320)	1,140
- Percentage of scheme assets (%)	6.8	42.6	0.8
Experience adjustments on scheme liabilities			
- Amounts (£000)	(240)	-	3,071
- Percentage of scheme liabilities (%)	<u>0.2</u>	<u>-</u>	<u>2.0</u>

The company expects to make contributions of approximately £6.1 million to the defined benefit scheme during the next financial year.

#### 19 Called up share capital

Authorised share capital

	2009 £000	2008 £000
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

Allotted and fully paid

	2009		2008	
	Number	£000	Number	£000
Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000</u>	<u>5,000,000</u>	<u>5,000</u>

#### 20 Reserves

	Profit and loss account 2009 £000
Balance brought forward	8,069
Profit for the financial year	10,189
Dividends (note 10)	(10,000)
Actuarial gain on pension scheme	4,541
Deferred tax relating to actuarial gain	(1,271)
Balance carried forward	<u>11,528</u>

# ARRIVA TRAINS WALES/TRENAU ARRIVA CYMRU LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

### 21 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	10,189	10,539
Dividends (note 10)	(10,000)	(9,000)
Actuarial gain/(loss) on pension scheme	4,541	(8,395)
Deferred tax relating to actuarial gain/(loss)	(1,271)	2,351
Net increase in/(reduction to) shareholders' funds	3,459	(4,505)
Opening shareholders' funds	13,069	17,574
Closing shareholders' funds	16,528	13,069

### 22. Derivatives

The company had fuel hedges in place throughout the year and the fair value of these as at 31 December 2009, which has not been recognised in these financial statements, was an asset of £681,405 (2008 liability of £4,459,698)

### 23 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 financial statements incorporating the results of Arriva Trains Wales/Trenau Arriva Cymru Limited. Copies of these financial statements can be obtained from Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, 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