

	2004	2005	2006	2007	2008
	£m	£m	£m	£m	£m
Assets employed					
Goodwill	266.7	277.5	286.4	328.2	509.9
Other intangible assets	45.6	40.8	34.9	43.2	75.7
Property, plant and equipment	962.6	1,092.8	982.5	1,164.4	1,559.9
Other	(381.7)	(341.0)	(285.1)	(233.6)	(502.7)
Unquoted investments	6.2	7.9	51.4	63.6	141.9
	899.4	1,078.0	1,070.1	1,365.8	1,784.7
Financed by					
Share capital	9.8	9.8	9.9	9.9	9.9
Reserves	417.8	477.6	532.6	700.3	672.6
Minority interests	2.2	16.3	16.3	23.8	35.7
Bank overdrafts	5.1	22.5	16.5	33.3	34.4
Syndicated loans	82.6	203.8	108.7	203.2	434.7
Other loans	155.7	93.3	147.4	123.3	258.2
Short-term loans	126.2	122.9	115.0	84.6	110.6
Obligations under finance leases	62.1	87.5	78.4	99.8	133.2
Deferred tax liabilities	37.9	44.3	45.3	87.6	95.4
	899.4	1,078.0	1,070.1	1,365.8	1,784.7
Trading					
Revenue	1,759.0	1,571.2	1,729.0	2,000.7	3,042.2
Profit before taxation from continuing operations	109.3	103.1	109.8	115.8	150.0
Taxation	26.0	19.8	25.2	25.8	38.8
Profit after taxation from continuing operations	83.3	83.3	84.6	90.0	111.2
Profit after taxation from discontinued operations	-	3.0	20.1	-	-
Profit for the year	83.3	86.3	104.7	90.0	111.2
Statistics					
Funds attributable to shareholders	427.6	487.4	542.5	710.2	682.5
Equity shareholders' funds per ordinary share	218.4p	247.5p	273.9p	357.6p	343.6p
Basic earnings per share	42.6p	43.7p	51.8p	43.5p	52.6p
Dividends per ordinary share	18.9p	19.84p	20.83p	22.65p	24.06p

The discontinued operations relate to the vehicle rental operations.

Company balance sheet

at 31 December 2008

Prepared using UK generally accepted accounting practice (UK GAAP)

	notes	2008 £m	2007 £m
Fixed assets			
Tangible assets	2	7.8	7.9
Investments	3	622.0	611.2
		629.8	619.1
Current assets			
Debtors	4	82.0	137.3
Cash at bank and in hand		560.3	399.8
		642.3	537.1
Creditors			
Amounts falling due within one year	6	(23.9)	(16.7)
Net current assets		618.4	520.4
Total assets less current liabilities		1,248.2	1,139.5
Creditors			
Amounts falling due after more than one year	6	(570.2)	(428.8)
Net pension liability	11	(3.4)	(1.4)
		674.6	709.3
Represented by:			
Capital and reserves			
Called up equity share capital	7	9.9	9.9
Share premium account	9	24.4	24.2
Capital redemption reserve	9	1.8	1.8
Special reserve	9	59.1	59.1
Profit and loss account	9	579.4	614.3
Equity shareholders' funds	10	674.6	709.3

D R Martin		Directors
S P Lonsdale		

These financial statements on pages 109 to 117 were approved by the Board on 4 March 2009.

Basis of preparation

The separate financial statements of the company are presented as required by the Companies Act 1985 and 2006. They have been prepared in accordance with applicable United Kingdom generally accepted accounting practice. The company prepares its financial statements on the historic cost basis of accounting other than the revaluation of certain tangible fixed assets, pensions, and share-based payment charges which are measured at fair value. No profit and loss account is presented by the company as permitted by Section 230 of the Companies Act 1985.

Cash flow statement

The company is the holding company of a group which prepares consolidated accounts, including the results of the company, which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised).

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is calculated using the straight-line method to allocate the cost or valuation of each asset to its residual value over its estimated useful-life as follows:

Freehold properties	50 years
Plant, company vehicles, fixtures & fittings	3-10 years

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Impairment

At each balance sheet date the company reviews the carrying amount of its tangible fixed assets to determine whether there are any indicators of impairment. If indicators of impairment exist then the recoverable amount of an asset is estimated and if this is less than its carrying amount, the difference is recognised in the profit and loss account as an impairment loss.

Pensions

The company operates retirement benefit schemes; both defined benefit and defined contribution schemes.

The liability recognised in the balance sheet in respect of the company's defined benefit pension plans 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 by an independent actuary 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 that are denominated in the currency in which the benefits will be paid, 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 costs. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period they arise.

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

Share-based payments

The company issues equity settled share-based payments to certain employees, which are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest. The impact of revising original estimates, if any, is included in the profit and loss account, with a corresponding adjustment to reserves. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Dividend distribution

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

Deferred taxation

The company accounting policy is to provide for deferred tax on all timing differences except those arising on the revaluation of fixed assets for which there is no binding agreement to sell or on the undistributed profits of overseas subsidiaries. Deferred tax is calculated at the rates at which it is estimated the tax will arise. The tax rates are those expected to arise based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The deferred tax provision is not discounted to net present value.

Related party transactions

As permitted under FRS8, 'Related Party Transactions', the company has taken advantage of the exemption not to disclose transactions between group companies.

1. Arriva plc profit and loss account

Arriva plc has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The profit for the financial year dealt with in the accounts of Arriva plc is £11.6 million (2007: profit of £423.0 million).

Company employee information is disclosed within the central component in note 4 to the group financial statements. Details of directors' remuneration are disclosed in the directors' remuneration report on pages 54 to 61.

2. Tangible fixed assets

	Freehold land & buildings £m	Plant, company vehicles, fixtures & fittings £m	Total £m
Cost or valuation			
At 1 January 2008	9.3	1.6	10.9
Additions	-	0.2	0.2
At 31 December 2008	9.3	1.8	11.1
Comprising:			
Cost	8.5	1.8	10.3
Valuation 1997	0.8	-	0.8
	9.3	1.8	11.1
Accumulated depreciation			
At 1 January 2008	1.8	1.2	3.0
Charge for the year	0.1	0.2	0.3
At 31 December 2008	1.9	1.4	3.3
Net book amounts			
At 31 December 2008	7.4	0.4	7.8
At 31 December 2007	7.5	0.4	7.9

3. Investments

Fixed asset investments	Shares in subsidiaries at cost £m	Impairment £m	Shares in subsidiaries net book amount £m
At 1 January 2008	625.9	(14.7)	611.2
Additions	10.8	-	10.8
At 31 December 2008	636.7	(14.7)	622.0

Particulars of fixed asset investments are detailed in note 28 to the group financial statements.

4. Debtors

	2008 £m	2007 £m
Amounts falling due within one year:		
Trade debtors	0.2	0.1
Deferred tax (note 5)	0.3	0.1
Other debtors	1.9	9.0
Prepayments and accrued income	0.8	0.5
	3.2	9.7
Amounts falling due after more than one year:		
Amounts owed by group undertakings	78.8	127.6
	82.0	137.3

The amounts owed by group undertakings are repayable on demand.

5. Deferred tax

	2008 £m	2007 £m
Accelerated capital allowances	1.5	1.6
Other timing differences	(1.8)	(1.7)
Deferred tax excluding that relating to pension liability	(0.3)	(0.1)
Deferred tax on pension liability	(1.3)	(0.5)
Deferred tax	(1.6)	(0.6)

Factors that may affect future tax charges

No deferred tax liability is provided in respect of the unremitted earnings of overseas subsidiaries unless a binding agreement exists at the balance sheet date to remit such earnings in the future.

6. Creditors

	2008 £m	2007 £m
Amounts falling due within one year:		
Short-term loans	7.2	-
Trade creditors	0.9	1.6
Creditors for taxation and social security	0.2	1.4
Other creditors	5.5	5.0
Accruals and deferred income	10.1	8.7
	23.9	16.7
Amounts falling due after more than one year:		
Syndicated loans	135.0	-
Amounts due to group companies	407.9	398.5
Accruals and deferred income	27.3	30.3
	570.2	428.8

	2008 £m	2007 £m
Loan capital and other borrowings repayment statement:		
- Within one year or on demand	7.2	-
- Between two and five years	135.0	-
	142.2	-

The company provides cross guarantees in respect of the bank borrowings of a number of the group's subsidiaries.

Fair value of non-current liabilities

The company considers there to be no material difference between the fair value of non-current liabilities and their carrying amount in the balance sheet.

Borrowing facilities

The company has the following undrawn committed floating rate borrowing facilities available at 31 December in respect of which all conditions precedent had been met at that date:

	2008 £m	2007 £m
Expiring within one year	60.9	57.0
Expiring in more than two years	180.3	415.8
	241.2	472.8

7. Called up equity share capital

	Authorised		Allotted - fully paid	
	2008	2007	2008	2007
Ordinary shares of 5 pence each	£14,500,000	£14,500,000	£9,932,854	£9,930,679
Number of shares	290,000,000	290,000,000	198,657,072	198,613,572
Reconciliation of movement in issued share capital:				
Shares in issue 1 January			198,613,572	198,089,442
Share allotments on exercise of options			43,500	524,130
Shares in issue 31 December			198,657,072	198,613,572

Consideration of £0.2 million was received in respect of share allotments in the year ended 31 December 2008 (2007: £1.3 million).

At 31 December 2008 there were outstanding options to receive allotments of 3,727,901 ordinary shares under the Executive Share Option Scheme, the Share Incentive Scheme and the Long Term Incentive Plan. The price for the vested share for the Long Term Incentive Plan is £nil. The option exercise prices for the other schemes range from 283.0 pence to 745.0 pence. The options are exercisable up to March 2018. At 31 December 2008 the middle market quotation of the ordinary share, as derived from the Stock Exchange Official List, was 601.5 pence. The highest price attained by the ordinary share in 2008 was 803.5 pence and the lowest level during 2008 was 510.0 pence.

8. Share-based payments

The grants and related accounting treatment adopted by Arriva plc under FRS20, 'Share-based payments', are identical to that adopted by the group under IFRS2, 'Share-based payments'. For details please refer to note 23 in the group financial statements.

9. Reserves

	Capital redemption reserve £m	Share premium account £m	Special reserve £m	Profit and loss account £m	Total £m
At 1 January 2008	1.8	24.2	59.1	614.3	699.4
Arising on issue of shares	-	0.2	-	-	0.2
Profit for the year	-	-	-	11.6	11.6
Dividends	-	-	-	(46.1)	(46.1)
Actuarial loss on pension deficit	-	-	-	(3.5)	(3.5)
Movement on deferred tax relating to pension	-	-	-	1.0	1.0
Share-based payments	-	-	-	2.1	2.1
At 31 December 2008	1.8	24.4	59.1	579.4	664.7

The capital redemption reserve represents the cumulative par value of all shares bought back and cancelled by the group and is not distributable. The special reserve was created in 1997 when an application to transfer the share premium account into a special reserve was granted by the High Court, and is not distributable.

10. Reconciliation of movements in shareholders' funds

	2008 £m	2007 £m
Profit for the year	11.6	423.0
Dividends	(46.1)	(41.9)
	(34.5)	381.1
New share capital subscribed	0.2	1.3
Actuarial (loss)/gain on pension deficit	(3.5)	5.0
Movement on deferred tax relating to pension	1.0	(1.5)
Share-based payments	2.1	1.6
Tax relief on share option schemes	-	0.5
Net (reduction in)/addition to shareholders' funds	(34.7)	388.0
Opening shareholders' funds	709.3	321.3
Closing shareholders' funds	674.6	709.3

11. Pensions

The accounting treatment under FRS17 'Retirement Benefits' is in line with that adopted by the group under IAS19 'Employee Benefits'. For details, please refer to note 20 in the group financial statements.

At 31 December 2008 the company operated both defined benefit and defined contribution schemes, which are financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

Contributions to the defined benefit funds are based upon actuarial advice following the most recent of a regular series of valuations of the funds by their representative independent actuaries.

Total pension cost

The total pension cost for the company was £0.2 million (2007: £0.1 million). The pension costs in respect of the company's defined contribution scheme was £0.4 million (2007: £0.3 million).

FRS17 'Retirement Benefits'

The calculations used to assess the FRS17 liabilities of the retirement benefit scheme are based on the most recent actuarial valuations, updated to 31 December 2008 by qualified independent actuaries, KPMG LLP. The scheme's assets are stated at their market value at 31 December 2008. The assumptions used are identical to those used for determining the group charge under IAS19.

The amounts recognised in the balance sheet are determined as follows:	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Equities	25.5	37.5	38.3	35.4	30.7
Bonds	14.9	15.9	12.7	12.6	11.9
Other	-	0.1	0.3	0.1	0.1
Total market value of assets	40.4	53.5	51.3	48.1	42.7
Present value of liabilities	(45.1)	(55.4)	(60.0)	(58.3)	(57.4)
Deficit	(4.7)	(1.9)	(8.7)	(10.2)	(14.7)
Related deferred tax asset	1.3	0.5	2.6	3.1	4.4
Net pension liability	(3.4)	(1.4)	(6.1)	(7.1)	(10.3)

The costs of the scheme for the year ended 31 December were as follows:	2008 £m	2007 £m
Analysis of the charge to operating profit:		
- Current service costs	0.3	0.4
Total operating charge	0.3	0.4
Analysis of the credit to finance income		
- Expected return on assets	(3.7)	(3.7)
- Interest on liabilities	3.2	3.1
Total finance credit	(0.5)	(0.6)
Total credit before tax	(0.2)	(0.2)

	2008	2007
	£m	£m
Analysis of movement in deficit in the scheme for the year ended 31 December:		
Gross deficit in the scheme at 1 January	(1.9)	(8.7)
Contributions paid	0.5	1.6
Current service cost	(0.3)	(0.4)
Total finance credit	0.5	0.6
Actuarial (loss)/gain	(3.5)	5.0
Gross deficit in the scheme at 31 December	(4.7)	(1.9)

	2008	2007
	£m	£m
Analysis of amounts recognised in reserves:		
Difference between expected and actual return on assets	(14.5)	(1.0)
Experience gains and losses arising on the scheme liabilities	11.0	0.8
Effect of changing the financial assumptions	-	5.2
Actuarial (loss)/gain recognised in reserves	(3.5)	5.0

Actuarial loss/gain as a percentage of scheme assets and liabilities at 31 December:	2008	2007	2006	2005	2004
	%	%	%	%	%
Difference between expected and actual return on assets as a percentage of scheme assets	(35.9)	(1.9)	3.5	8.3	1.6
Experience gains arising on the scheme liabilities as a percentage of the present value of scheme liabilities	24.4	1.4	(3.5)	9.9	0.7
Total actuarial (loss)/gain recognised in the reserves as a percentage of the present value of scheme liabilities	(7.8)	9.0	2.7	7.5	0.5

We have audited the parent company financial statements of Arriva plc for the year ended 31 December 2008 which comprise the Company balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the group financial statements of Arriva plc for the year ended 31 December 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the parent company 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 parent company financial statements and the part of the Directors' remuneration report to be audited 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 parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' remuneration report to be audited have been 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 parent company financial statements. The information given in the Directors' report includes that specific information presented in the Business review that is cross referred from the Business review section of the Directors' report.

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 parent company financial statements. The other information comprises only the Chairman's statement, the Chief executive's review, the Financial review, Principal risks and uncertainties, Corporate responsibility, the Directors' report, the unaudited part of the Directors' remuneration report, Corporate governance and other reports on pages 2 to 17. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company 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 parent company financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company 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 parent company financial statements and the part of the Directors' remuneration report to be audited 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 parent company financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- ▶ The parent company 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;
- ▶ The parent company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- ▶ The information given in the Directors' report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
13 March 2009