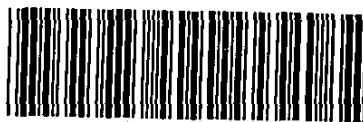

ARRIVA TEESSIDE LIMITED

**Annual report and financial statements
for the year ended 31 December 2011**

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ARRIVA TEESSIDE LIMITED

Company Information

Directors	R A Bowler J Greaves N P Featham
Company secretary	E A Davies
Company number	803241
Registered office	Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 89 Sandyford Road Newcastle upon Tyne NE1 8HW

ARRIVA TEESSIDE LIMITED

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ARRIVA TEESSIDE LIMITED

Directors' report for the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activities

The principal activity of the company during the year was the operation of bus and coach services

Business review

There have been no material changes since the balance sheet date

The directors remain confident that the company will continue to trade in line with expectations in the future

Results and dividends

The profit for the year, after taxation, amounted to £92,000 (2010 - loss £34,000)

The company did not pay a dividend during the year (2010 £NIL)

Directors

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

R A Bowler
J Greaves
J P May (resigned 17 June 2011)
N P Featham (appointed 17 June 2011)

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to local and national competition and factors which would cause a decline in the market. Further discussion of these risks and uncertainties in the context of the group as a whole, is provided in the annual report of Arriva Plc which does not form part of this report.

Financial risk management objectives and policies

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

Key performance indicators

The directors of Deutsche Bahn AG manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Arriva Teesside 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 TEESSIDE LIMITED

**Directors' report
for the year ended 31 December 2011**

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 judgments 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

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.

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

This report was approved by the board on 27 June 2012 and signed on its behalf



E A Davies
Company secretary

ARRIVA TEESSIDE LIMITED

Independent auditors' report to the members of Arriva Teesside Limited

We have audited the financial statements of Arriva Teesside Limited for the year ended 31 December 2011 which comprise the profit and loss account, 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 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK 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. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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.

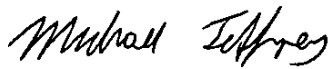
ARRIVA TEESSIDE LIMITED

Independent auditors' report to the members of Arriva Teesside Limited

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



Michael Jeffrey (Senior statutory auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

29 June 2012

ARRIVA TEESSIDE LIMITED

**Profit and loss account
for the year ended 31 December 2011**

	Note	2011 £000	2010 £000
TURNOVER	1,2	9,993	9,672
Cost of sales		(8,393)	(8,247)
GROSS PROFIT		1,600	1,425
Administrative expenses		(1,434)	(1,554)
Other operating income		-	87
OPERATING PROFIT/(LOSS)	3	166	(42)
Interest receivable and similar income	5	-	24
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		166	(18)
Tax on profit/(loss) on ordinary activities	6	(74)	(16)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	15	92	(34)

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account therefore, no statement of total recognised gains and losses have been presented

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial years stated above, and their historical cost equivalents

The notes on pages 7 to 15 form part of these financial statements

ARRIVA TEESSIDE LIMITED
Registered number: 803241

Balance sheet
as at 31 December 2011

	Note	£000	2011 £000	£000	2010 £000
FIXED ASSETS					
Intangible assets	7		185		212
Tangible assets	8		569		453
			<u>754</u>		<u>665</u>
CURRENT ASSETS					
Stocks	9	90		20	
Debtors	10	96,215		1,012	
Cash at bank and in hand		700		594	
		<u>97,005</u>		<u>1,626</u>	
CREDITORS: amounts falling due within one year	11	<u>(96,861)</u>		<u>(1,732)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>144</u>		<u>(106)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>898</u>		<u>559</u>
CREDITORS: amounts falling due after more than one year	12		<u>(391)</u>		<u>(366)</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	13		<u>(300)</u>		<u>(78)</u>
NET ASSETS			<u>207</u>		<u>115</u>
CAPITAL AND RESERVES					
Called up share capital	14		5		5
Profit and loss account	15		202		110
TOTAL SHAREHOLDERS' FUNDS	16		<u>207</u>		<u>115</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 June 2012.



R A Bowler
Director

The notes on pages 7 to 16 form part of these financial statements

ARRIVA TEESSIDE LIMITED

Notes to the financial statements for the year ended 31 December 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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.

1.2 Cash flow statement

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1 (Revised 1996) 'Cash Flow Statements'.

1.3 Turnover

Turnover consists of the gross revenue for road passenger transport together with the aggregate amounts receivable for other goods and services supplied in the ordinary course of the business, excluding value added tax. Income is accrued where it is earned in an earlier period to that in which it is billed or received in cash. Income is deferred where it is received in an earlier period than that to which it relates.

1.4 Intangible fixed assets and amortisation

Intangible fixed assets, which relate to licences for the use of the Arriva brand name, are being amortised through the profit and loss account over the licence period of 15 years.

1.5 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 at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line on cost
Plant, machinery, fixtures and motor vehicles	-	10% to 48% straight line
Public service vehicles	-	straight line over period up to 15 years

ARRIVA TEESSIDE LIMITED

Notes to the financial statements for the year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

1.6 Leasing and hire purchase commitments

Where assets are financed by leasing agreements ('finance leases') the assets are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding. Assets under finance leases are depreciated over their estimated useful life or the term of the lease, whichever is the shorter.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Where assets are leased out under a finance lease arrangement any amounts due from the lessee are recorded in the balance sheet as a debtor at the amount of the net investment in the lease. Finance lease income under the finance lease is allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment in the lease over the lease term.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Pensions

Arriva plc operates retirement benefit schemes, both defined benefit and defined contribution schemes, which cover employees of the company. The assets of the defined benefit scheme are held separately from those of the company in independently administered funds. As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions payable by the company are charged to the profit and loss account in the period in which they fall due. Contributions payable under the defined contribution scheme are charged to the profit and loss account as they arise.

2. TURNOVER

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

All turnover arose within the United Kingdom.

ARRIVA TEESSIDE LIMITED

**Notes to the financial statements
for the year ended 31 December 2011**

3. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging

	2011	2010
	£000	£000
Amortisation - intangible assets	27	27
Depreciation of tangible assets		
- owned by the company	40	48
- held under hire purchase and finance lease agreements	120	134
Auditors' remuneration	5	5
Operating lease rentals		
- plant and machinery	842	634
- land and buildings	63	27
	<u> </u>	<u> </u>

During the year, no director received any emoluments for their services to the company (2010 - £NIL)

4. STAFF COSTS

Staff costs were as follows

	2011	2010
	£000	£000
Wages and salaries	4,614	4,862
Social security costs	413	435
Other pension costs	64	68
	<u> </u>	<u> </u>
	<u>5,091</u>	<u>5,365</u>

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

	2011	2010
	No.	No.
Drivers	184	206
Engineering	19	16
Administrative	16	25
	<u> </u>	<u> </u>
	<u>219</u>	<u>247</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011	2010
	£000	£000
Bank interest receivable	-	24
	<u> </u>	<u> </u>

ARRIVA TEESSIDE LIMITED

Notes to the financial statements for the year ended 31 December 2011

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2011 £000	2010 £000
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit/(loss) for the year	33	1
Adjustments in respect of prior years	(181)	14
Total current tax	(148)	15
Deferred tax		
Origination and reversal of timing differences	20	3
Adjustments in respect of prior years	202	(2)
Total deferred tax (see note 13)	222	1
Total tax on profit/(loss) on ordinary activities	74	16

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - higher than) the standard rate of corporation tax in the UK of 26.5% (2010 - 28%). The differences are explained below

	2011 £000	2010 £000
Profit/(loss) on ordinary activities before taxation	166	(18)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	44	(5)
Effects of:		
Non-tax deductible amortisation of intangible fixed assets	7	8
Expenses not deductible for tax purposes	24	4
Capital allowances for year in excess of depreciation	(43)	(7)
Adjustments in respect of prior years	(181)	14
Other differences leading to an increase in the tax charge	1	1
Current tax (credit)/charge for the year (see note above)	(148)	15

Factors that may affect future tax charges

On 21 March 2012 the Chancellor announced that the UK Corporation Tax rate applicable from 1 April 2012 would be 24% (as opposed to 25% which was substantively enacted on 5 July 2011) and that the previously announced reductions of 1% per annum would result in the UK Corporation Tax rate reducing to 22% (as opposed to 23%) with effect from 1 April 2014

ARRIVA TEESSIDE LIMITED

**Notes to the financial statements
for the year ended 31 December 2011**

7. INTANGIBLE ASSETS

	Licences £000
Cost	
At 1 January 2011 and 31 December 2011	<u>400</u>
Accumulated amortisation	
At 1 January 2011	188
Charge for the year	<u>27</u>
At 31 December 2011	<u>215</u>
Net book value	
At 31 December 2011	<u>185</u>
At 31 December 2010	<u>212</u>

8. TANGIBLE ASSETS

	Freehold property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
Cost				
At 1 January 2011	222	776	619	1,617
Additions	31	222	112	365
Disposals	-	-	(89)	(89)
At 31 December 2011	<u>253</u>	<u>998</u>	<u>642</u>	<u>1,893</u>
Accumulated depreciation				
At 1 January 2011	157	739	268	1,164
Charge for the year	16	15	129	160
At 31 December 2011	<u>173</u>	<u>754</u>	<u>397</u>	<u>1,324</u>
Net book value				
At 31 December 2011	<u>80</u>	<u>244</u>	<u>245</u>	<u>569</u>
At 31 December 2010	<u>65</u>	<u>37</u>	<u>351</u>	<u>453</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2011 £000	2010 £000
Public service vehicles	<u>107</u>	<u>215</u>

ARRIVA TEESSIDE LIMITED

**Notes to the financial statements
for the year ended 31 December 2011**

8. TANGIBLE ASSETS (continued)

The depreciation charged to the financial statements in the year in respect of such assets amounted to £120,000 (2010 £134,000)

9. STOCKS

	2011 £000	2010 £000
Raw materials and consumables	90	20

10. DEBTORS

	2011 £000	2010 £000
Amounts owed by group undertakings	95,037	90
Amounts receivable under finance leases	3	4
Other debtors	358	100
Prepayments and accrued income	817	818
	<u>96,215</u>	<u>1,012</u>

11. CREDITORS:

Amounts falling due within one year

	2011 £000	2010 £000
Bank overdrafts	4,647	532
Trade creditors	-	10
Amounts owed to group undertakings	91,610	588
Corporation tax	33	1
Other creditors	96	17
Accruals and deferred income	475	584
	<u>96,861</u>	<u>1,732</u>

The company is party to an unlimited multi-lateral guarantee involving the bank borrowings of Arriva plc and other group undertakings

ARRIVA TEESSIDE LIMITED

**Notes to the financial statements
for the year ended 31 December 2011**

12. CREDITORS:

Amounts falling due after more than one year

	2011	2010
	£000	£000
Accruals and deferred income	391	366

13. DEFERRED TAXATION

	2011	2010
	£000	£000
At 1 January	78	77
Profit and loss account movement during the year (note 6)	222	1
At 31 December	300	78

The provision for deferred taxation is made up as follows

	2011	2010
	£000	£000
Accelerated capital allowances	300	82
Short term timing differences	-	(4)
	300	78

14. CALLED-UP SHARE CAPITAL

	2011	2010
	£000	£000
Authorised, allotted and fully paid		
5,000 Ordinary shares of £1 each (2010 5,000)	5	5

15. RESERVES

	Profit and loss account £000
At 1 January 2011	110
Profit for the financial year	92
At 31 December 2011	202

ARRIVA TEESSIDE LIMITED

Notes to the financial statements for the year ended 31 December 2011

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £000	2010 £000
Opening shareholders' funds	115	149
Profit/(loss) for the financial year	92	(34)
Closing shareholders' funds	<u>207</u>	<u>115</u>

17. PENSION COMMITMENTS

At 31 December 2011 the UK intermediate parent company, Arriva plc, operated both defined benefit and defined contribution retirement benefit schemes providing benefits to certain employees within Arriva Teesside Limited. The schemes are financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

Contributions to the defined benefit scheme, The Arriva Passenger Services Pension Plan, are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 5th April 2008, using the Projected Unit Method. The principal actuarial assumptions were that:

(i) the annual rate of return on investment would be 6.5 per cent higher than the annual increase in total pensionable remuneration of nil per cent (frozen for 4 years), and

(ii) there would be no variation from the scheme's rules to pensions in payment.

On the basis of these assumptions the actuarial value of the funds at 5th April 2008 was sufficient to cover 100.6 per cent of the benefits then accrued to members. The market value of the Scheme's assets at 5th April 2008 was £276 million.

The pensions cost for the year represents contributions payable by the company to both schemes and amounted to £64,000 (2010: £68,000).

FRS 17 'Retirement benefits'

The company makes contributions to a defined benefit scheme, the Arriva Passenger Services Pension Plan which is operated by the UK intermediate parent company, Arriva plc. Other companies within the Arriva group make contributions to the scheme, therefore it is not possible for the company to identify its share of the underlying assets and liabilities as at 31 December 2011. As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions payable by the company are charged to the profit and loss account in the period in which they fall due.

ARRIVA TEESSIDE LIMITED

**Notes to the financial statements
for the year ended 31 December 2011**

18. OPERATING LEASE COMMITMENTS

The company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		2011 £000	Other 2010 £000
	2011 £000	2010 £000		
Expiry date:				
Between 2 and 5 years	63	27	626	296
After more than 5 years	-	-	138	466

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and ultimate controlling party is Deutsche Bahn AG, a company registered in Germany, which has prepared group financial statements incorporating the results of Arriva Teesside Limited. Copies of these financial statements can be obtained from Potsdamer Platz 2, 10785 Berlin.

Deutsche Bahn AG is the largest group to consolidate the financial statements and DB Mobility Logistics AG is the smallest.

Information on Arriva Teesside Limited can be obtained from their registered address Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

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