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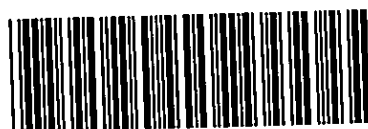
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**ARRIVA THE SHIRES LIMITED**

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**Annual report and financial statements**  
**for the year ended 31 December 2012**

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**ARRIVA THE SHIRES LIMITED**

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**Company Information**

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<b>Directors</b>	P Adcock B Barraclough M A Bowd R A Bowler K P Hawkins B E Lawson H Williams M D J Yexley
<b>Company secretary</b>	E A Davies
<b>Company number</b>	2116519
<b>Registered office</b>	Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 89 Sandyford Road Newcastle upon Tyne NE1 8HW

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**ARRIVA THE SHIRES LIMITED**

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## ARRIVA THE SHIRES LIMITED

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### Directors' report for the year ended 31 December 2012

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The directors present their report and the audited financial statements for the year ended 31 December 2012

#### Principal activities

The principal activity of the company continues to be the operation of bus and coach services

#### Business review

The directors consider the state of the company's affairs to be satisfactory. On 1 January 2013 the trade and certain of the assets of MK Metro Limited and Arriva East Herts & Essex Limited, fellow group undertakings, were transferred to Arriva The Shires Limited.

The directors remain confident that the company will continue to trade profitably in the future.

#### Results and dividends

The profit for the year, after taxation, amounted to £3,540,000 (2011 - £3,449,000)

The company did not pay a dividend during the year (2011 - £Nil)

#### Directors

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

P Adcock  
B Barraclough  
M A Bowd  
R A Bowler  
K P Hawkins  
B E Lawson  
H Williams  
M D J Yexley

#### 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 the UK intermediate parent company, 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 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 The Shires 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.

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## **ARRIVA THE SHIRES LIMITED**

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### **Directors' report for the year ended 31 December 2012**

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#### **Company's policy for 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

#### **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 company, working within a common set of values

The company 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 company's aim is to provide appropriate remuneration, benefits and conditions of employment which will serve to attract, retain, motivate and reward such employees

The company 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

#### **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

#### **Directors' responsibilities statement**

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

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**ARRIVA THE SHIRES LIMITED**

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**Directors' report  
for the year ended 31 December 2012**

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**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 5 July 2013 and signed on its behalf



**E A Davies**  
Company secretary

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## ARRIVA THE SHIRES LIMITED

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### Independent auditors' report to the members of Arriva The Shires Limited

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We have audited the financial statements of Arriva The Shires Limited for the year ended 31 December 2012 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 directors' responsibilities statement 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 Annual report and financial statements 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 2012 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.

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**ARRIVA THE SHIRES LIMITED**

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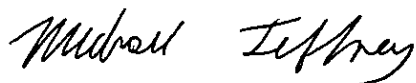
**Independent auditors' report to the members of Arriva The Shires Limited**

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**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

9 July 2013



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**ARRIVA THE SHIRES LIMITED**

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**Profit and loss account  
for the year ended 31 December 2012**

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	Note	2012 £000	2011 £000
<b>TURNOVER</b>	1,2	<b>73,738</b>	<b>73,133</b>
Cost of sales		<u>(59,507)</u>	<u>(57,700)</u>
<b>GROSS PROFIT</b>		<b>14,231</b>	<b>15,433</b>
Administrative expenses		<u>(9,490)</u>	<u>(10,391)</u>
Other operating income		<u>43</u>	<u>17</u>
<b>OPERATING PROFIT</b>	3	<b>4,784</b>	<b>5,059</b>
Interest receivable and similar income	7	<u>92</u>	<u>140</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>4,876</b>	<b>5,199</b>
Tax on profit on ordinary activities	8	<u>(1,336)</u>	<u>(1,750)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	18	<b><u>3,540</u></b>	<b><u>3,449</u></b>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account. Therefore, no statement of total recognised gains and losses has been presented.

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

The notes on pages 8 to 18 form part of these financial statements.

**ARRIVA THE SHIRES LIMITED**  
Registered number: 2116519

**Balance sheet**  
as at 31 December 2012

	Note	£000	2012 £000	£000	2011 £000
<b>FIXED ASSETS</b>					
Intangible assets	9		1,785		2,128
Tangible assets	10		2,610		2,048
Investments	11		6,840		6,840
			<u>11,235</u>		<u>11,016</u>
<b>CURRENT ASSETS</b>					
Stocks	12	460		562	
Debtors	13	46,057		45,429	
Cash at bank and in hand		7,706		7,442	
		<u>54,223</u>		<u>53,433</u>	
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(52,489)</u>		<u>(55,164)</u>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<u>1,734</u>		<u>(1,731)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>12,969</u>		<u>9,285</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15		(125)		-
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	16		(548)		(529)
<b>NET ASSETS</b>			<u><u>12,296</u></u>		<u><u>8,756</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		728		728
Profit and loss account	18		11,568		8,028
<b>TOTAL SHAREHOLDERS' FUNDS</b>	19		<u><u>12,296</u></u>		<u><u>8,756</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 July 2013

  
**B E Lawson**  
Director

The notes on pages 8 to 18 form part of these financial statements

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## ARRIVA THE SHIRES LIMITED

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### Notes to the financial statements for the year ended 31 December 2012

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#### 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.

##### 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

For acquisitions after 1 January 1998, goodwill, which represents the excess of cost of acquisitions of businesses over the value attributed to their net assets, is amortised through the profit and loss account by equal annual instalments over its estimated useful economic life up to a maximum of 20 years. Goodwill previously eliminated against reserves has not been reinstated and will only be charged to the profit and loss account on the subsequent disposal of any business to which it related. Goodwill is tested annually for impairment.

Other 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:

Leasehold property	-	straight line over the life of the lease
Plant, machinery, fixtures and motor vehicles	-	10% to 48% straight line
Public service vehicles	-	straight line over periods up to 15 years

##### 1.6 Investments

Investments are included at cost less provision for impairment. Impairment reviews are carried out on an annual basis. Profits or losses arising from disposals of investments are treated as part of the result from ordinary activities.

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## ARRIVA THE SHIRES LIMITED

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### Notes to the financial statements for the year ended 31 December 2012

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.7 Leasing and hire purchase

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.

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.

##### 1.8 Operating leases

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

##### 1.9 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.

##### 1.10 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.

##### 1.11 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.

##### 1.12 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.

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**ARRIVA THE SHIRES LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2012**

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**2. TURNOVER**

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

All turnover arose within the United Kingdom

**3. OPERATING PROFIT**

The operating profit is stated after charging

	2012	2011
	£000	£000
Amortisation - intangible assets	343	343
Depreciation of tangible assets		
- owned by the company	454	377
- held under hire purchase and finance lease agreements	378	647
Operating lease rentals		
- plant and machinery	5,213	5,057
- land and buildings	589	814
	<u>5,890</u>	<u>6,481</u>

During the year the company made a profit on disposal of fixed assets of £43,000 (2011 - profit £17,000)

**4. AUDITORS' REMUNERATION**

	2012	2011
	£000	£000
Fees payable to the company's auditor for the audit of the company's annual financial statements	8	8
	<u>8</u>	<u>8</u>

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**ARRIVA THE SHIRES LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2012**

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**5. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	2012 £000	2011 £000
Wages and salaries	34,984	35,618
Social security costs	3,224	3,144
Other pension costs (note 20)	1,291	1,438
	<u>39,499</u>	<u>40,200</u>

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

	2012 No.	2011 No
Drivers	1,038	1,066
Engineering	132	139
Administrative	143	138
	<u>1,313</u>	<u>1,343</u>

**6. DIRECTORS' EMOLUMENTS**

	2012 £000	2011 £000
Emoluments	<u>211</u>	<u>329</u>
Employers pension contributions	<u>21</u>	<u>23</u>

During the year retirement benefits were accruing to 2 directors (2011 - 2) in respect of defined contribution pension schemes

The highest paid director received remuneration of £131,000 (2011 - £127,000)

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2012 £000	2011 £000
Finance lease interest receivable	3	5
Bank interest receivable	89	135
	<u>92</u>	<u>140</u>

# ARRIVA THE SHIRES LIMITED

## Notes to the financial statements for the year ended 31 December 2012

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £000	2011 £000
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	1,342	1,433
Adjustments in respect of prior years	(25)	125
<b>Total current tax</b>	<u>1,317</u>	<u>1,558</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(16)	135
Adjustments in respect of prior years	35	57
<b>Total deferred tax</b> (see note 16)	<u>19</u>	<u>192</u>
<b>Tax on profit on ordinary activities</b>	<u>1,336</u>	<u>1,750</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 - higher than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%). The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	<u>4,876</u>	<u>5,199</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	1,195	1,378
<b>Effects of:</b>		
Non-tax deductible amortisation of intangible fixed assets	59	63
Expenses not deductible for tax purposes	119	166
Capital allowances for year in excess of depreciation	(31)	(174)
Adjustments in respect of prior years	(25)	125
<b>Current tax charge for the year</b> (see note above)	<u>1,317</u>	<u>1,558</u>

#### Factors that may affect future tax charges

During 2012 the Chancellor announced that the UK Corporation Tax rate applicable from 1 April 2013 would be 23%, and that the UK Corporation Tax rate applicable from 1 April 2014 would be 21%

On 20 March 2013 the Chancellor made a further announcement that the UK Corporation Tax rate applicable from 1 April 2015 would be 20%

ARRIVA THE SHIRES LIMITED

Notes to the financial statements  
for the year ended 31 December 2012

9. INTANGIBLE ASSETS

	Licences £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 January 2012 and 31 December 2012	2,600	2,508	5,108
<b>Accumulated amortisation</b>			
At 1 January 2012	1,384	1,596	2,980
Charge for the year	173	170	343
At 31 December 2012	1,557	1,766	3,323
<b>Net book value</b>			
At 31 December 2012	1,043	742	1,785
At 31 December 2011	1,216	912	2,128

10. TANGIBLE ASSETS

	Leasehold property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
<b>Cost</b>				
At 1 January 2012	635	4,943	9,841	15,419
Additions	-	1,115	372	1,487
Disposals	-	(224)	(3,566)	(3,790)
At 31 December 2012	635	5,834	6,647	13,116
<b>Accumulated depreciation</b>				
At 1 January 2012	409	4,169	8,793	13,371
Charge for the year	44	223	565	832
Disposals	-	(195)	(3,502)	(3,697)
At 31 December 2012	453	4,197	5,856	10,506
<b>Net book value</b>				
At 31 December 2012	182	1,637	791	2,610
At 31 December 2011	226	774	1,048	2,048



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**ARRIVA THE SHIRES LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2012**

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**10. TANGIBLE ASSETS (continued)**

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

	2012 £000	2011 £000
Public service vehicles	183	611

The depreciation charged to the financial statements in the year in respect of such assets amounted to £378,000 (2011 £647,000)

The net book value of long leasehold property is £39,000 (2011 £68,000) and the net book value of short leasehold property is £143,000 (2011 £158,000)

**11. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £000
<b>Cost and net book value</b>	
At 1 January 2012 and 31 December 2012	6,840

**Subsidiary undertakings**

The following are subsidiary undertakings of the company

Name of company	Class of shares	Holding
Premier Buses Limited	Ordinary	100 %

Name of company	Nature of business	Country of incorporation and operation
Premier Buses Limited	Holding company	England

The directors believe that the carrying value of the investments is supported by their underlying value

**12. STOCKS**

	2012 £000	2011 £000
Raw materials and consumables	460	562

**ARRIVA THE SHIRES LIMITED**

**Notes to the financial statements  
for the year ended 31 December 2012**

**13. DEBTORS**

	2012 £000	2011 £000
Trade debtors	2,036	2,580
Amounts owed by group undertakings	37,963	37,331
Amounts receivable under finance leases	29	56
Other debtors	889	328
Prepayments and accrued income	5,140	5,134
	<u>46,057</u>	<u>45,429</u>

**14. CREDITORS:  
Amounts falling due within one year**

	2012 £000	2011 £000
Amounts owed to group undertakings	43,363	44,230
Corporation tax	1,342	1,433
Other taxation and social security	1,221	1,620
Other creditors	908	2,628
Accruals and deferred income	5,655	5,253
	<u>52,489</u>	<u>55,164</u>

**15. CREDITORS:  
Amounts falling due after more than one year**

	2012 £000	2011 £000
Accruals and deferred income	<u>125</u>	<u>-</u>

**16. DEFERRED TAXATION**

The deferred tax included in the balance sheet is as follows

	2012 £000	2011 £000
At 1 January	529	337
Movement in the profit and loss account during the year (note 8)	19	192
	<u>548</u>	<u>529</u>
At 31 December		

**ARRIVA THE SHIRES LIMITED**

**Notes to the financial statements  
for the year ended 31 December 2012**

**16. DEFERRED TAXATION (continued)**

The provision for deferred taxation is made up as follows

	2012 £000	2011 £000
Excess of capital allowances over depreciation	586	579
Other short term timing differences	(38)	(50)
	<u>548</u>	<u>529</u>

**17. CALLED-UP SHARE CAPITAL**

	2012 £000	2011 £000
<b>Authorised</b>		
10,000,000 Ordinary shares of £0 10 each (2011 10,000,000)	<u>1,000</u>	<u>1,000</u>
<b>Allotted and fully paid</b>		
7,283,079 Ordinary shares of £0 10 each (2011 7,283,079)	<u>728</u>	<u>728</u>

**18. RESERVES**

	Profit and loss account £000
At 1 January 2012	8,028
Profit for the financial year	3,540
At 31 December 2012	<u>11,568</u>

**19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2012 £000	2011 £000
Opening shareholders' funds	8,756	5,307
Profit for the financial year	3,540	3,449
Closing shareholders' funds	<u>12,296</u>	<u>8,756</u>

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## ARRIVA THE SHIRES LIMITED

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### Notes to the financial statements for the year ended 31 December 2012

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#### 20. PENSION COMMITMENTS

At 31 December 2012 the UK intermediate parent company, Arriva plc, operated both defined benefit and defined contribution retirement benefit schemes providing benefits to certain employees within Arriva The Shires 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 funds. The latest actuarial valuations were performed as at 5th April 2011, using the Projected Unit Method. The principal actuarial assumptions were that

(i) the annual rate of return on investment would be 7.0 per cent higher than the annual increase in total pensionable remuneration of nil per cent (frozen for 4 years from 1 December 2009, capped at 1% thereafter), 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 2011 was sufficient to cover 94.6 per cent of the benefits then accrued to members. The market value of the Scheme's assets at 5th April 2011 was £369.1 million.

The pension cost charge for the year represents contributions payable by the company to both schemes and amounted to £1,291,000 (2011: £1,438,000).

#### FRS 17 'Retirement benefits'

The company makes contributions to the aforementioned schemes which are operated by the UK intermediate parent company, Arriva plc. Other companies within the Arriva group make contributions to the Arriva Passenger Services Pension Plan, therefore it is not possible for the company to identify its share of the underlying assets and liabilities as at 31 December 2012. 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.

#### 21. OPERATING LEASE COMMITMENTS

At 31 December the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2012	2011	2012	2011
	£000	£000	£000	£000
Expiry date:				
Within 1 year	100	-	-	381
Between 2 and 5 years	215	228	5,001	3,624
After more than 5 years	319	155	64	1,352

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**ARRIVA THE SHIRES LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2012**

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**22. 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 The Shires 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 The Shires 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.