

DB REGIO TYNE AND WEAR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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DB REGIO TYNE AND WEAR LIMITED

COMPANY INFORMATION

Directors	C Bainbridge A Furlong D A Gibson C D D Burchell M D Robinson
Company secretary	L Edwards
Registered number	6733214
Registered office	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

DB REGIO TYNE AND WEAR LIMITED

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DB REGIO TYNE AND WEAR LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

INTRODUCTION

The directors present their Strategic report for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the operation and maintenance of the Tyne and Wear Metro service on behalf of The Tyne and Wear Passenger Transport Executive (trading as Nexus).

REVIEW OF BUSINESS

The company's statement of comprehensive income on page 9 shows a loss on ordinary activities before taxation of £1,552,000 (2015 : £113,000). The increase in the reported loss is primarily due to a reduction in the number of Concession Services procured during the year and an increase in salary costs, maintenance costs, amortisation charges and depreciation charges to support the end of Concession activities (with the Concession ending on 31 March 2017).

The company had net assets of £873,000 as at the balance sheet date of 31 December 2016 (2015 : £2,134,000). The reduction in net assets is entirely due to the loss incurred during the year.

The company's funding position is provided by the ultimate parent company, Deutsche Bahn AG. This is provided in the form of a loan with a balance of £2,000,000 at 31 December 2016, all of which is due within one year from that date. Deutsche Bahn AG also provide a credit line of £2,000,000. No amount was drawn down on that credit line as at 31 December 2016.

Deutsche Bahn AG acts as a financial guarantor on both performance and pension bonds to the Tyne and Wear Passenger Transport Executive (trading as Nexus).

As the Concession is now in the last year of operation, which is detailed further in Future Developments below, there will be no more capital expenditure after 31 December 2016.

The directors consider the state of its affairs to be satisfactory based on the contractual requirements and the economic and political environment.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. These risks are managed through a risk management process and are reported to the DB Regio Tyne and Wear Limited (DBTW) Board and the group periodically.

The key risks that are being managed are associated with Concession end obligations and the train and depot dilapidations. These risks are regularly monitored in terms of progress against budget, resource and timetable by the DBTW Board.

FUTURE DEVELOPMENTS

This is the seventh and last year of the Tyne and Wear Metro Concession which commenced on 1 April 2010.

The company was initially set up for the operation and maintenance of the Tyne and Wear Metro service on behalf of The Tyne and Wear Passenger Transport Executive (trading as Nexus) for a limited period. When the concession ends on 31 March 2017, DB Regio Tyne and Wear Limited will remain in existence as any assets and liabilities that stay with the company unwind.

DB REGIO TYNE AND WEAR LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

FUTURE DEVELOPMENTS (continued)

Since the balance sheet date the company has traded in line with expectations.

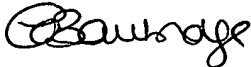
Forecasts subsequent to 31 March 2017 continue to demonstrate the company's ability to service its debts as they fall due whilst the assets and liabilities unwind.

As at the date on which these financial statements have been signed, commercial negotiations are ongoing between representatives of the company and Nexus regarding the end of the Concession. The directors expect that the entity will cease trading following the end of the Concession on 31 March 2017. The ultimate outcome of the negotiations cannot presently be determined, therefore no adjustments have been made in these financial statements to reduce assets to their realisable values or to provide for any potential liability that may result from the negotiations.

KEY PERFORMANCE INDICATORS

The directors of DB Regio Tyne and Wear Limited review and report performance against KPIs and delivery of the Committed Obligations each period internally, to the client Nexus and to the wider group. A range of performance indicators are used, both financial and operational, to measure the delivery of the company's strategic objectives, comparison with the wider group and to manage the business.

This report was approved by the board on 29 March 2017 and signed on its behalf.



C Bainbridge
Director

DB REGIO TYNE AND WEAR LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the audited financial statements for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The loss for the financial year, after taxation, amounted to £1,261,000 (2015 : £137,000).

The directors do not recommend the payment of a dividend (2015 : £Nil).

DIRECTORS

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

R H McClean (resigned 7 March 2016)
A Furlong
S M Keith (resigned 18 May 2016)
D A Gibson (appointed 18 May 2016)
C D D Burchell (appointed 10 August 2016)
C Bainbridge (appointed 7 March 2016)
M D Robinson (appointed 8 March 2017)

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.

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 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 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.

MATTERS COVERED IN THE STRATEGIC REPORT

Details of future developments have been disclosed in the Strategic report.

DB REGIO TYNE AND WEAR LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

POST BALANCE SHEET EVENTS

As at the date on which these financial statements have been signed, commercial negotiations are ongoing between representatives of the company and Nexus regarding the end of the Concession. The directors expect that the entity will cease trading following the end of the Concession on 31 March 2017. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern. The ultimate outcome of the negotiations cannot presently be determined, therefore no adjustments have been made in these financial statements to reduce assets to their realisable values or to provide for any potential liability that may result from the negotiations.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic report, the Directors' report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). 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 audited 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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the audited 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 audited 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.

DB REGIO TYNE AND WEAR LIMITED

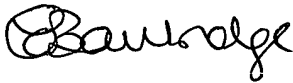
**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

DISCLOSURE 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 relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the board on 29 March 2017 and signed on its behalf.



C Bainbridge
Director

DB REGIO TYNE AND WEAR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DB REGIO TYNE AND WEAR LIMITED

Report on the financial statements

Our opinion

In our opinion, DB Regio Tyne and Wear Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss 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.
-

Emphasis of matter - Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the basis of preparation. The directors expect that the company will cease trading following the end of the concession on 31 March 2017. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in Note 1 to the financial statements. The ultimate outcome of the negotiations to end the Concession cannot presently be determined, and therefore no adjustments have been made in these financial statements to reduce assets to their realisable values or to provide for any potential liability that may result from the negotiations.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

DB REGIO TYNE AND WEAR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DB REGIO TYNE AND WEAR LIMITED

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 & Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

DB REGIO TYNE AND WEAR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DB REGIO TYNE AND WEAR LIMITED

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Bill MacLeod

Bill MacLeod (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

29 March 2017

DB REGIO TYNE AND WEAR LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000	2015 £000
Turnover	4	33,945	36,785
Cost of sales		(9,064)	(11,748)
Gross profit		24,881	25,037
Administrative expenses		(26,336)	(25,042)
Operating loss		(1,455)	(5)
Interest receivable and similar income		18	34
Interest payable and similar charges	9	(115)	(142)
Loss on ordinary activities before taxation		(1,552)	(113)
Taxation on loss on ordinary activities	10	291	(24)
Loss for the financial year		(1,261)	(137)
Total comprehensive expense for the financial year		(1,261)	(137)

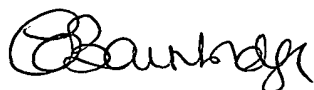
The notes on pages 12 to 26 form part of these financial statements.

DB REGIO TYNE AND WEAR LIMITED
REGISTERED NUMBER: 6733214

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	11	92	937
Tangible assets	12	938	1,165
		<u>1,030</u>	<u>2,102</u>
Current assets			
Stocks	13	2,255	1,917
Debtors	14	7,800	9,635
Cash at bank and in hand		1	2
		<u>10,056</u>	<u>11,554</u>
Creditors: Amounts falling due within one year	15	(10,213)	(9,430)
Net current (liabilities) / assets		<u>(157)</u>	<u>2,124</u>
Total assets less current liabilities		<u>873</u>	<u>4,226</u>
Creditors: Amounts falling due after more than one year	16	-	(2,092)
Net assets		<u><u>873</u></u>	<u><u>2,134</u></u>
Capital and reserves			
Called up share capital	18	1,300	1,300
Share premium account		3,000	3,000
Profit and loss account		(3,427)	(2,166)
Total shareholders' funds		<u><u>873</u></u>	<u><u>2,134</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 March 2017.



C Bainbridge
Director

The notes on pages 12 to 26 form part of these financial statements.

DB REGIO TYNE AND WEAR LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2016	1,300	3,000	(2,166)	2,134
Comprehensive expense for the year				
Loss for the financial year	-	-	(1,261)	(1,261)
Total comprehensive expense for the year	-	-	(1,261)	(1,261)
At 31 December 2016	1,300	3,000	(3,427)	873

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2015	1,300	3,000	(2,029)	2,271
Comprehensive expense for the year				
Loss for the financial year	-	-	(137)	(137)
Total comprehensive expense for the year	-	-	(137)	(137)
At 31 December 2015	1,300	3,000	(2,166)	2,134

The notes on pages 12 to 26 form part of these financial statements.

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all years, unless otherwise stated. The financial statements have been prepared under the historic cost convention and in accordance with the Companies Act 2006.

1.2 GOING CONCERN

The company was initially set up for the operation and maintenance of the Tyne and Wear Metro service on behalf of The Tyne and Wear Passenger Transport Executive (trading as Nexus) for a limited period. When the Concession ends on 31 March 2017, DB Regio Tyne and Wear Limited will remain in existence as those assets and liabilities that stay with the company unwind.

The directors have performed detailed forecasts, taking into account sensitivities, and are confident that the company is well placed to trade in line with expectations over the final three months of the Concession period.

As at the date on which these financial statements have been signed, commercial negotiations are ongoing between representatives of the company and Nexus regarding the transfer of the Concession to Nexus. Forecasts subsequent to 31 March 2017 continue to demonstrate the company's ability to service its debts as they fall due whilst the assets and liabilities unwind.

The directors expect that the entity will cease trading following the end of the Concession on 31 March 2017. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern. The ultimate outcome of the negotiations cannot presently be determined, therefore no adjustments have been made in these financial statements to reduce assets to their realisable values or to provide for any potential liability that may result from the negotiations.

1.3 TURNOVER

Turnover consists of the gross revenue for operation and maintenance of the Tyne and Wear Metro service 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

Development and mobilisation costs in relation to securing new Concessions are expensed in the period in which they are incurred until 'preferred bidder' status is achieved, whereupon the costs are capitalised and charged to the statement of comprehensive income over the expected term of the Concession on a straight line basis. Amortisation charges are included within administration costs in the statement of comprehensive income.

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES (continued)

1.5 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less depreciation.

DEPRECIATION

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives.

Depreciation is provided on the following bases:

Short Term Leasehold Property	-	straight line over the remaining period of the lease
Plant, Machinery and Computer Equipment	-	3 to 9 years on a straight line basis

1.6 STOCKS

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

1.7 DEBTORS

Trade and other debtors are initially measured at fair value. In general, this is equivalent to the costs of purchase. Receivables for which there are substantial objective indications of an impairment are adjusted appropriately.

Trade and other debtors are considered to be impaired when there is objective evidence that the estimated future cash flows associated with the asset have been affected. In addition, certain trade and other debtors that are not considered to be individually impaired, may be assessed for impairment on a collective basis. Objective evidence for impairment could be observable changes in national or local economic conditions / government policies on transport.

Loans and other non derivative financial assets, with fixed or determinable payments that are not quoted in an active market, are included within current assets, except for maturities greater than 12 months after the end of the reporting period. Those loans and other debtors which are deemed payable more than 12 months after the balance sheet date, are classed as long term debtors.

1.8 CASH

Cash balances comprise cash in hand and all bank balances and are stated in the balance sheet at fair value. The company does not hold any cash equivalents.

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES (continued)

1.9 CREDITORS

Creditors are obligations to pay for goods / services that have been acquired in the ordinary course of business.

Trade and other creditors are initially stated at fair value.

1.10 PENSIONS

The company is an Admitted Body of the Local Government Pension Scheme administered by South Tyneside Metropolitan Borough Council, which is a defined benefit pension scheme and covers employees of the company. The assets of the defined benefit scheme are held separately from those of the company in independently administered funds. Independent qualified actuaries complete valuations periodically and, in accordance with their recommendations, annual contributions from employees and employer are paid to the scheme so as to secure the benefits set out in the rules.

Under the Concession Agreement, the company bears no commercial risk with any surplus or deficit arising from the performance of the scheme falling to Nexus at the end of the Concession. During the life of the Concession, the employer contribution rates vary in line with actuarial valuations. As a result the company does not believe the accounting treatment for a defined benefit scheme is appropriate to this scheme and is therefore accounting for it in line with that required for a defined contribution scheme. The cost of the employer contributions charged to the statement of comprehensive income is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES (continued)

1.11 CURRENT AND DEFERRED TAXATION

The tax charge in the statement of comprehensive income represents the sum of the tax currently payable and the deferred tax charge for the year. Tax is recognised within the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds.

The current taxation payable is based on the taxable profit for the year. Taxable profit can differ from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, or that are never taxable or deductible. The company's liability for current taxation is calculated using rates that have been enacted or subsequently enacted, at the balance sheet date.

Deferred taxation is recognised on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and when the deferred taxation assets and liabilities relate to taxation levied by the same taxation authority, and the company intends to settle its current taxation assets and liabilities on a net basis.

Deferred tax assets and liabilities are not discounted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES (continued)

1.12 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The company is a qualifying entity for the purpose of FRS 101 and Note 20 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which permits a qualifying entity to apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS 5"), but makes amendments where necessary in order to comply with the Companies Act 2006.

The company's date of transition to FRS 101 was 1 January 2014 and the company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements.

The change in basis of preparation has enabled the group to take advantage of all the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised above. The equivalent disclosures are included in the consolidated financial statements of the ultimate parent company, Deutsche Bahn AG, in accordance with the application guidance of FRS 100 "Application of financial reporting requirements".

There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

2. GENERAL INFORMATION

The company is a private limited company, incorporated and domiciled in the United Kingdom.

The registered company number is 6733214 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Application of certain company accounting policies required management to make judgements, assumptions and estimates concerning the future as detailed below.

3.1 Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 12 for the carrying amount of the tangible fixed assets and above for the useful economic lives for each class of assets.

3.2 Stock provisioning

The recoverability of the cost of stock is considered and when calculating a stock provision, management consider the nature and condition of the stock as well as applying assumptions around anticipated future usage of the stock or recoverability. See Note 13 for the carrying amount of the stock.

3.3 Impairment of debtors

The company make an estimate of the recoverable value of the trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the receivable, the ageing profile of debtors and historical experience. See Note 14 for the carrying amount of debtors.

3.4 Accruals and deferred income

The company recognise accrued expenses within the financial statements. They are calculated at the cost the company expect to be paid in future periods, based on reliable evidence available at the time the financial statements are prepared.

Deferred income is provided for where income has been received in an earlier period to which it relates. The company make estimations as to which period the income relates, based on either the terms of the franchise agreements or terms of service connected to the income being deferred.

3.5 Franchise agreement

As at the date on which these financial statements have been signed, commercial negotiations are ongoing between representatives of the company and Nexus regarding the end of the Concession. The ultimate outcome of the negotiations cannot presently be determined, therefore no adjustments have been made in these financial statements to reduce assets to their realisable values or to provide for any potential liability that may result from the negotiations.

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. TURNOVER

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

All turnover arose within the United Kingdom.

5. OPERATING LOSS

The operating loss is stated after charging:

	2016	2015
	£000	£000
Depreciation of tangible fixed assets - owned by the company	243	358
Profit on disposal of fixed assets	6	-
Amortisation of intangible assets	845	288
Cost of stocks recognised as an expense	5	8
	<hr/> <hr/>	<hr/> <hr/>

6. AUDITORS' REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2016	2015
	£000	£000
Fees for the audit of the Company	16	15
Other fees payable	-	4
	<hr/> <hr/>	<hr/> <hr/>

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. STAFF COSTS

Staff costs, including directors' remuneration and intercompany recharges, were as follows:

	2016	<i>2015</i>
	£000	<i>£000</i>
Wages and salaries	17,326	<i>16,868</i>
Social security costs	1,627	<i>1,254</i>
Other pension costs (Note 19)	3,430	<i>3,293</i>
	<hr/> 22,383 <hr/>	<hr/> <i>21,415</i> <hr/>

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

	2016	<i>2015</i>
	No.	<i>No.</i>
Drivers	168	<i>169</i>
Engineering	113	<i>112</i>
Administration	234	<i>228</i>
	<hr/> 515 <hr/>	<hr/> <i>509</i> <hr/>

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. DIRECTORS' EMOLUMENTS

	2016 £000	2015 £000
Directors' emoluments	203	118
Company contributions to defined benefit pension schemes	37	19
	240	137

During the year retirement benefits were accruing to 1 director (2015 : 1) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £110,000 (2015 : £118,000).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £37,000 (2015 : £19,000).

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £000	2015 £000
On amounts due to group undertakings	115	142
	115	142

10. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2016 £000	2015 £000
Corporation tax		
Current tax on loss for the year	(347)	(22)
Adjustments in respect of previous years	-	4
Total current tax	(347)	(18)
Deferred tax		
Origination and reversal of timing differences	51	40
Adjustments in respect of prior years	5	2
Total deferred tax (Note 17)	56	42
Total taxation on loss on ordinary activities	(291)	24

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. TAXATION ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2015 - *higher than*) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Loss on ordinary activities before taxation	(1,552)	(113)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	(310)	(23)
Effects of:		
Adjustments in respect of prior years	5	6
Impact of rate change on deferred tax	14	41
Total tax (credit) / charge for the year	(291)	24

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

On 8 July 2015, the Chancellor announced that the main rate of UK Corporation Tax would reduce from 20% to 19% from 1 April 2017 with a further reduction to 18% on 1 April 2020.

This change was enacted on 26 October 2015.

On 16 March 2016, the Chancellor announced that the main rate of UK Corporation Tax would instead reduce to 17% on 1 April 2020. These changes were enacted on 15 September 2016.

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. INTANGIBLE ASSETS

	Mobilisation & development costs £000
Cost	
At 1 January 2016	2,600
	<hr/>
At 31 December 2016	2,600
Accumulated amortisation	
At 1 January 2016	1,663
Charge for the year	845
	<hr/>
At 31 December 2016	2,508
Net book value	
At 31 December 2016	<hr/> 92 <hr/>
<i>At 31 December 2015</i>	<hr/> <i>937</i> <hr/>

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. TANGIBLE ASSETS

	Short term leasehold property £000	Plant, Machinery and Computer Equipment £000	Total £000
Cost			
At 1 January 2016	1,283	1,742	3,025
Additions	-	18	18
Disposals	-	(24)	(24)
At 31 December 2016	1,283	1,736	3,019
Accumulated depreciation			
At 1 January 2016	737	1,123	1,860
Charge for the year	51	192	243
Disposals	-	(22)	(22)
At 31 December 2016	788	1,293	2,081
Net book value			
At 31 December 2016	495	443	938
<i>At 31 December 2015</i>	<i>546</i>	<i>619</i>	<i>1,165</i>

13. STOCKS

	2016 £000	2015 £000
Raw materials	2,255	1,917
	2,255	1,917

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. DEBTORS

	2016 £000	2015 £000
Trade debtors	4,072	272
Amounts owed by group undertakings	2,405	7,750
Other debtors	3	11
Prepayments and accrued income	670	1,221
Group relief receivable	347	22
Deferred tax asset (Note 17)	303	359
	7,800	9,635

15. CREDITORS: Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	1,339	2,870
Amounts owed to group undertakings	2,232	704
Other taxation and social security	1,034	1,101
Other creditors	936	1,098
Accruals and deferred income	4,672	3,657
	10,213	9,430

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. CREDITORS: Amounts falling due after more than one year

	2016 £000	2015 £000
Amounts owed to group undertakings	-	2,000
Accruals and deferred income	-	92
	<u>-</u>	<u>2,092</u>

The company has a loan facility agreement with Deutsche Bahn AG. The amount owed by the company at 31 December 2016 was £2,000,000 (2015 : £667,000) due within one year and £Nil (2015 : £2,000,000) due after more than one year. The loan is to be paid back in seven equal instalments and one final instalment. Interest on the loan is charged at 4.27%.

17. DEFERRED TAXATION

	Deferred tax £000
At 1 January 2016	359
Charge to comprehensive income (Note 10)	(56)
At 31 December 2016	<u>303</u>

The deferred tax asset is made up as follows:

	2016 £000	2015 £000
Accounting depreciation in excess of capital allowances	168	228
Tax losses carried forward	135	131
	<u>303</u>	<u>359</u>

18. CALLED UP SHARE CAPITAL

	2016 £	2015 £
Authorised, allotted, called up and fully paid		
1,300,001 (2015 : 1,300,001) Ordinary shares of £1 each	<u>1,300,001</u>	<u>1,300,001</u>

DB REGIO TYNE AND WEAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. PENSION COMMITMENTS

At 31 December 2016 DB Regio Tyne and Wear Limited was an Admitted Body of the Local Government Pension Scheme administered by South Tyneside Metropolitan Borough Council, whose assets are held in a separately administered fund. As explained in the accounting policy note 1.10, the company is accounting for this scheme in line with that required of a defined contribution scheme. The employer contributions are made at a rate consistent with the latest actuarial valuation of the scheme.

The pension cost for the year represents contributions payable by the company to the scheme amounting to £3,430,000 (2015 : £3,293,000).

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Arriva Trains Holdings Limited.

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 DB Regio Tyne and Wear Limited. Copies of these financial statements can be obtained from Potsdamer Platz 2, 10785 Berlin.

Deutsche Bahn AG is the largest and smallest group to consolidate the financial statements of DB Regio Tyne and Wear Limited.

Information on DB Regio Tyne and Wear Limited can be found at their registered office 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 IAS 24 'Related party disclosures' for wholly-owned subsidiaries.

21. POST BALANCE SHEET EVENTS

As at the date on which these financial statements have been signed, commercial negotiations are ongoing between representatives of the company and Nexus regarding the end of the Concession. The directors expect that the entity will cease trading following the end of the Concession on 31 March 2017. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern. The ultimate outcome of the negotiations cannot presently be determined, therefore no adjustments have been made in these financial statements to reduce assets to their realisable values or to provide for any potential liability that may result from the negotiations.