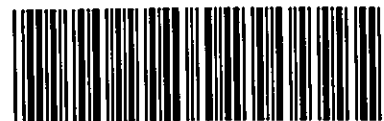

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

3979826

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GRAND CENTRAL RAILWAY COMPANY LIMITED

Company Information

Directors	S English A W Deacon S J Murphy A Furlong D Hatfield R W Holland A J Cooper R H McClean
Company secretary	E A Davies
Company number	03979826
Registered office	1 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

GRAND CENTRAL RAILWAY COMPANY LIMITED

Contents

	Page
Directors' report	1 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 16

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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 during the year was the provision of passenger train services

Business review

2012 was the first full year as part of the Arriva group of companies. In December 2012 Grand Central Railway Company Limited commenced a 5th path as part of its North East service and continues to operate 3 paths on its West Riding Service. The company participates in the National Passenger Focus survey and received a 95% score (2011 - 95%), the highest in the industry.

Results and dividends

The profit for the year, after taxation, amounted to £115,000 (9 months ended 31 December 2011 - loss £9,497,000)

The directors did not pay a dividend in the current year or prior period.

Directors

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

S English

A W Deacon (appointed 1 June 2012)

S J Murphy (appointed 1 January 2013)

T A Clift (resigned 29 February 2012)

D Lowrie (resigned 31 January 2012)

B G Cooper (resigned 6 July 2012)

A Furlong

D Hatfield

R W Holland

A J Cooper (appointed 1 February 2012)

R H McClean (appointed 1 February 2012)

During the financial year, a qualifying third party indemnity provision for the benefit of the directors was in force.

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.

GRAND CENTRAL RAILWAY COMPANY LIMITED

Directors' report for the year ended 31 December 2012

Key performance indicators

The directors of the ultimate parent company, 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 Grand Central Railway Company 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.

Post balance sheet events

In May 2013 Grand Central Railway Company Ltd was part of a financial reorganisation which resulted in the settlement of Inter Group balances with Arriva UK Trains Limited and GCRC Holdings Limited and the issue of shares by Grand Central Railway Company Limited to Arriva UK Trains Limited.

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 audited 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 audited 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,
- 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.

Going concern

In May 2013 the company was re-financed which resulted in the balance sheet of the company showing net assets (as opposed to net liabilities) and shareholders' funds (as opposed to shareholders' deficit). This re-financing involved the company issuing further ordinary shares and entering into a deed of waiver with a fellow group company in respect of intercompany indebtedness.

As a result of the above, the directors believe it is appropriate to prepare the accounts on a going concern basis.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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 21 June 2013 and signed on its behalf



E A Davies
Company secretary

GRAND CENTRAL RAILWAY COMPANY LIMITED

Independent auditors' report to the members of Grand Central Railway Company Limited

We have audited the financial statements of Grand Central Railway Company 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 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 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.

GRAND CENTRAL RAILWAY COMPANY LIMITED

Independent auditors' report to the members of Grand Central Railway Company 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

Bill MacLeod

Bill MacLeod (Senior statutory auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

24 June 2013

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

	Note	Year ended 31 December 2012 £000	9 months ended 31 December 2011 £000
TURNOVER	1,2	27,071	16,656
Cost of sales		<u>(24,094)</u>	<u>(20,351)</u>
GROSS PROFIT/(LOSS)		2,977	(3,695)
Administrative expenses		<u>(3,252)</u>	<u>(4,745)</u>
OPERATING LOSS	3	(275)	(8,440)
Interest receivable and similar income	6	-	6
Interest payable and similar charges	7	<u>(137)</u>	<u>(1,063)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(412)	(9,497)
Tax on loss on ordinary activities	8	<u>527</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	17	<u><u>115</u></u>	<u><u>(9,497)</u></u>

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 loss on ordinary activities before taxation and the profit/(loss) for the financial year stated above, and their historical cost equivalents

The notes on pages 8 to 16 form part of these financial statements

GRAND CENTRAL RAILWAY COMPANY LIMITED
Registered number: 03979826

Balance sheet
as at 31 December 2012

	Note	£000	2012 £000	£000	2011 £000
FIXED ASSETS					
Intangible assets	9		4		5
Tangible assets	10		3,070		1,619
			<u>3,074</u>		<u>1,624</u>
CURRENT ASSETS					
Stocks	11	168		168	
Debtors	12	5,066		6,589	
Cash at bank and in hand		4		591	
		<u>5,238</u>		<u>7,348</u>	
CREDITORS: amounts falling due within one year	13	(50,303)		(51,719)	
NET CURRENT LIABILITIES			(45,065)		(44,371)
TOTAL ASSETS LESS CURRENT LIABILITIES			(41,991)		(42,747)
PROVISIONS FOR LIABILITIES					
Other provisions	15		(2,355)		(1,714)
NET LIABILITIES			(44,346)		(44,461)
CAPITAL AND RESERVES					
Called up share capital	16		100		100
Share premium account	17		304		304
Profit and loss account	17		(44,750)		(44,865)
TOTAL SHAREHOLDERS' DEFICIT	18		(44,346)		(44,461)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2013



A W Deacon
 Director

The notes on pages 8 to 16 form part of these financial statements

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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 period, 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 includes amounts attributable to train operating companies, predominantly based on models of route usage, by the Rail Settlement Plan in respect of passenger receipts, 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 assets are included at cost less accumulated amortisation.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Trade Mark - 5% straight line

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less 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 on the following bases:

Leasehold property	-	period of the lease
Plant, machinery and motor vehicles	-	10% to 33% straight line
Fixtures and fittings	-	10% straight line
Heavy maintenance	-	period of the rolling stock lease

1.6 Operating leases

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

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

1. ACCOUNTING POLICIES (continued)

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

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. 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.

1.10 Going concern

In May 2013 the company was re-financed which resulted in the balance sheet of the company showing net assets (as opposed to net liabilities) and shareholders' funds (as opposed to shareholders' deficit). This re-financing involved the company issuing further ordinary shares and entering into a deed of waiver with a fellow group company in respect of intercompany indebtedness.

As a result of the above, the directors believe it is appropriate to prepare the accounts on a going concern basis.

2. TURNOVER

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

All turnover arose within the United Kingdom.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

3. OPERATING LOSS

The operating loss is stated after charging

	Year ended 31 December 2012	9 months ended 31 December 2011
	£000	£000
Amortisation - intangible fixed assets	1	-
Depreciation of tangible fixed assets		
- owned by the company	729	400
Auditors' remuneration - audit fees	22	22
Operating lease rentals		
- rolling stock	7,209	6,995
- land and buildings	129	87
	<u> </u>	<u> </u>

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	Year ended 31 December 2012	9 months ended 31 December 2011
	£000	£000
Wages and salaries	4,025	4,329
Social security costs	471	373
Other pension costs	124	93
	<u> </u>	<u> </u>
	<u>4,620</u>	<u>4,795</u>

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

	Year ended 31 December 2012	9 months ended 31 December 2011
	No.	No.
Train staff	89	94
Administration and other	25	27
	<u> </u>	<u> </u>
	<u>114</u>	<u>121</u>

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

5. DIRECTORS' EMOLUMENTS

	Year ended 31 December 2012 £000	9 months ended 31 December 2011 £000
Aggregate emoluments	119	412
Company pension contributions to contribution benefit pension schemes	3	-

During the year retirement benefits were accruing to 1 director (2011 - NIL) in respect of defined contribution pension schemes

The highest paid director received remuneration of £96,000 (2011 - £106,000)

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2012 £000	9 months ended 31 December 2011 £000
Bank interest receivable	-	6

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2012 £000	9 months ended 31 December 2011 £000
Interest and other finance charges payable to group companies	137	1,063

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 December 2012 £000	9 months ended 31 December 2011 £000
Analysis of tax credit in the year/period		
UK corporation tax credit on loss for the year/period	(43)	-
Adjustments in respect of prior periods	(484)	-
Tax on loss on ordinary activities	(527)	-

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

8. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2011 - higher than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.0%). The differences are explained below

	Year ended 31 December 2012	9 months ended 31 December 2011
	£000	£000
Loss on ordinary activities before tax	<u>(412)</u>	<u>(9,497)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.0%)	(101)	(2,469)
Effects of:		
Expenses not deductible for tax purposes	12	290
Capital allowances for year/period in excess of/(less than) depreciation	46	(87)
Adjustments to tax charge in respect of prior periods	(484)	-
Utilisation of previously unrecognised tax losses	-	2,266
Current tax credit for the year/period (see note above)	<u>(527)</u>	<u>-</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%

9. INTANGIBLE FIXED ASSETS

	Trade Mark £000
Cost	
At 1 January 2012 and 31 December 2012	<u>6</u>
Accumulated amortisation	
At 1 January 2012	1
Charge for the year	1
At 31 December 2012	<u>2</u>
Net book value	
At 31 December 2012	<u>4</u>
At 31 December 2011	<u>5</u>

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

10. TANGIBLE FIXED ASSETS

	Leasehold property £000	Plant, machinery and motor vehicles £000	Fixtures and fittings £000	Heavy maintenance £000
Cost				
At 1 January 2012	288	380	146	1,643
Additions	-	-	-	2,180
At 31 December 2012	<u>288</u>	<u>380</u>	<u>146</u>	<u>3,823</u>
Accumulated depreciation				
At 1 January 2012	165	308	47	318
Charge for the year	48	72	15	594
At 31 December 2012	<u>213</u>	<u>380</u>	<u>62</u>	<u>912</u>
Net book value				
At 31 December 2012	<u>75</u>	<u>-</u>	<u>84</u>	<u>2,911</u>
At 31 December 2011	<u>123</u>	<u>72</u>	<u>99</u>	<u>1,325</u>

	Total £000
Cost	
At 1 January 2012	2,457
Additions	2,180
At 31 December 2012	<u>4,637</u>
Accumulated depreciation	
At 1 January 2012	838
Charge for the year	729
At 31 December 2012	<u>1,567</u>
Net book value	
At 31 December 2012	<u>3,070</u>
At 31 December 2011	<u>1,619</u>

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

11. STOCKS

	2012 £000	2011 £000
Rolling stock spare parts	147	147
Catering supplies	21	21
	168	168
	168	168

12. DEBTORS

	2012 £000	2011 £000
Trade debtors	315	387
Amounts owed by group undertakings	3,141	-
Group relief receivable	43	-
VAT recoverable	744	406
Other debtors	747	4,485
Prepayments and accrued income	76	1,311
	5,066	6,589
	5,066	6,589

13. CREDITORS:

Amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	2,113	2,058
Amounts owed to group undertakings	46,220	46,852
Social security and other taxes	150	250
Other creditors	-	721
Accruals and deferred income	1,820	1,838
	50,303	51,719
	50,303	51,719

14. DEFERRED TAXATION

	2012 £000	2011 £000
At beginning and end of year/period	-	-
	-	-

At 31 December 2012 the company had an unprovided deferred tax asset, calculated at 23% of gross amounts, of approximately £8,048,000 (2011 - £9,593,000 calculated at 25%) comprising mainly surplus tax losses. It is not considered prudent to recognise the asset at the period end.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

15. PROVISIONS

	Other provisions £000
At 1 January 2012	1,714
Charged to profit and loss account in the year	641
	2,355
At 31 December 2012	2,355

Other provisions

An onerous lease provision has been increased during the year to £2,355,000 (2011 £1,714,000) The provision represents the cost of the lease to the end of the contract in 2016 for a train which is surplus to the company's requirements

16. CALLED UP SHARE CAPITAL

	2012 £000	2011 £000
Authorised, allotted, called up and fully paid		
210,000 Ordinary shares of £0 10 each (2011 210,000)	21	21
790,000 B Ordinary shares of £0 10 each (2011 790,000)	79	79
	100	100
	100	100

17. RESERVES

	Share premium account £000	Profit and loss account £000
At 1 January 2012	304	(44,865)
Profit for the financial year		115
	304	(44,750)
At 31 December 2012	304	(44,750)

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2012 £000	2011 £000
Opening shareholders' deficit	(44,461)	(34,964)
Profit/(loss) for the financial year/period	115	(9,497)
	(44,346)	(44,461)
Closing shareholders' deficit	(44,346)	(44,461)

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

19. OPERATING LEASE COMMITMENTS

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		2012 £000	Other 2011 £000
	2012 £000	2011 £000		
Expiry date.				
Within 1 year	16	-	-	-
Between 2 and 5 years	67	109	6,312	7,560
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

20. 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 Grand Central Railway Company 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 Grand Central Railway Company 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.