Registered number: 84167

ARRIVA YORKSHIRE LIMITED

Annual report and financial statements

For the Year Ended 31 December 2018

Company Information

Directors	D Cocker P Stone M Ashton T Edwards G Peace
Company secretary	L Edwards
Registered number	84167
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

Contents

Strategic report
For the Year Ended 31 December 2018

The directors present their Strategic report for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the operation of bus services in the North of England.

REVIEW OF BUSINESS

The company's statement of comprehensive income on page 7 shows a profit on ordinary activities before taxation of £4,408,000 (2017: £5,235,000). 2018 has been another successful year and despite difficult trading conditions we have seen revenue growth. Direct costs have reduced through efficiencies and lower fuel prices. The reduction in profit is primarily through increased pension charges.

As at the balance sheet date the company had net assets of £20,280,000 (2017: £22,156,000). The decrease in net assets is due to a reduction in fixed assets due to vehicle depreciation and no additions.
The directors remain confident that the company will continue to operate in line with expectations in the future.

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.

FUTURE DEVELOPMENTS

2019 will see more investment in new vehicles and refurbishments of some of the existing fleet. The directors are looking at opportunities for revenue growth through good operational performance, exceptional service delivery and marketing initiatives. The new vehicles and vehicle refurbishments will again raise the standards for our customers and along with marketing we are convinced that this will assist in growing patronage.

On 27 March 2019, Arriva Yorkshire Limited's ultimate parent company Deutsche Bahn AG ("DB") announced its intention to explore options to sell the Arriva group, through either a sale of up to 100% of the shares in Arriva to one or more investors or through an Initial Public Offering ("IPO").
The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future.
However, the possibility of a change in ownership of the company within the next 12 months means that the directors are unable to assess or control all scenarios for the company's future, including its funding, a future owner's intentions for the company, the post-sale group structure, or the impact on intercompany balances.
Given the uncertainties associated with these possible implications should a change of ownership occur, the potential effects of the proposed sale indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

KEY PERFORMANCE INDICATORS

The Management Board 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 Yorkshire Limited. The development performance and position of the group, including this company, is discussed in the Deutsche Bahn Integrated Report which does not form part of this report.

This report was approved by the board on 18 September 2019 and signed by order of the board.

D Cocker
Director

Directors' report
For the Year Ended 31 December 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £3,420,000 *(2017 - £4,322,000)*.

The company paid a dividend during the year of £5,000,000 (2017: £6,000,000).

DIRECTORS

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

L Davies (resigned 15 May 2018)
D Cocker
P Stone (appointed 1 September 2019)
N P Featham (resigned 30 August 2019)
M Ashton (appointed 31 January 2019)
J L Croxford (resigned 21 January 2019)
T Edwards (appointed 5 March 2019)
R Johnson (resigned 21 September 2018)
G Peace (appointed 21 January 2019)
T R Large (appointed 1 September 2017, resigned 30 November 2018)

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.

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.

MATTERS COVERED IN THE STRATEGIC REPORT

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

Directors' report
For the Year Ended 31 December 2018

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

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 audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). 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 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 UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the 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. The directors 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.

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 18 September 2019 and signed by order of the board.

D Cocker
Director

Independent auditors' report to the members of Arriva Yorkshire Limited

Report on the audit of the financial statements

Opinion

In our opinion Arriva Yorkshire 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future. However, due to Deutsche Bahn AG exploring options to sell the company within the next 12 months, the directors have been unable to assess the company's ability to continue as a going concern beyond that point because the form of the planned transaction is unknown, as are the purchaser's intentions for the future of the company. These conditions, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Independent auditors' report to the members of Arriva Yorkshire Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Arriva Yorkshire Limited

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Michael Jeffrey

Michael Jeffrey (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

18 September 2019

Statement of comprehensive income
For the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	3	52,637	52,259
Cost of sales		(38,847)	(39,426)
Gross profit		13,790	12,833
Administrative expenses		(9,503)	(7,800)
Other operating income (Note 5)		315	288
Operating profit	6	4,602	5,321
Interest receivable and similar income	10	-	1
Interest payable and similar charges	11	(194)	(87)
Profit on ordinary activities before taxation		4,408	5,235
Tax on profit on ordinary activities	12	(988)	(913)
Profit for the financial year		3,420	4,322
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Changes in market value of cash flow hedges (Note 21)	21	(357)	716
Deferred tax attributable to changes in market value of cash flow hedges (Note 22)		61	(122)
		(296)	594
Total comprehensive income for the financial year		3,124	4,916

The notes on pages 10 to 28 form part of these financial statements.

Balance sheet
As at 31 December 2018

	Note		2018 £000		2017 £000
Fixed assets					
Goodwill	14		**74**		*74*
Other intangible assets	15		**-**		*155*
Tangible assets	16		**39,382**		*42,501*
			39,456		*42,730*
Current assets					
Stocks	17	**430**		*394*	
Debtors: Amounts due more than one year	18	**292**		*491*	
Debtors	18	**1,951**		*2,027*	
Cash at bank		**324**		*329*	
		2,997		*3,241*	
Creditors: Amounts due within one year	19	**(15,404)**		*(16,755)*	
Net current liabilities			**(12,407)**		*(13,514)*
Total assets less current liabilities			**27,049**		*29,216*
Creditors: Amounts due more than one year	20		**(6,252)**		*(6,082)*
Provisions for liabilities					
Deferred taxation	22	**(517)**		*(978)*	
			(517)		*(978)*
Net assets			**20,280**		*22,156*
Capital and reserves					
Called up share capital	23		**1,311**		*1,311*
Cash flow hedge reserve			**9**		*305*
Profit and loss account			**18,960**		*20,540*
Total shareholders' funds			**20,280**		*22,156*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 September 2019.

D Cocker
Director

The notes on pages 10 to 28 form part of these financial statements.

Statement of changes in equity
For the Year Ended 31 December 2018

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000
At 1 January 2017	**1,311**	**(289)**	**22,218**	**23,240**
Comprehensive income for the year				
Profit for the financial year	**-**	**-**	**4,322**	**4,322**
Changes in market value of cash flow hedges	**-**	**716**	**-**	**716**
Deferred tax attributable to changes in market value of cash flow hedges	**-**	**(122)**	**-**	**(122)**
Other comprehensive income for the year	**-**	**594**	**-**	**594**
Total comprehensive income for the year	**-**	**594**	**4,322**	**4,916**
Dividends paid (Note 13)	**-**	**-**	**(6,000)**	**(6,000)**
At 1 January 2018	**1,311**	**305**	**20,540**	**22,156**
Comprehensive income for the year				
Profit for the financial year	**-**	**-**	**3,420**	**3,420**
Changes in market value of cash flow hedges	**-**	**(357)**	**-**	**(357)**
Deferred tax attributable to changes in market value of cash flow hedges	**-**	**61**	**-**	**61**
Other comprehensive income for the year	**-**	**(296)**	**-**	**(296)**
Total comprehensive income for the year	**-**	**(296)**	**3,420**	**3,124**
Dividends paid (Note 13)	**-**	**-**	**(5,000)**	**(5,000)**
Total contributions by and distributions to shareholders	**1,311**	**9**	**18,960**	**20,280**

The notes on pages 10 to 28 form part of these financial statements.

Notes to the financial statements
For the Year Ended 31 December 2018

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 on the going concern basis under the historic cost convention as modified by revaluation of derivative financial instruments and in accordance with the Companies Act 2006. During the year the company adopted IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments". There were no material changes on adoption.

GOING CONCERN

On 27 March 2019, Arriva Yorkshire Limited's ultimate parent company Deutsche Bahn AG ("DB") announced its intention to explore options to sell the Arriva group, through either a sale of up to 100% of the shares in Arriva to one or more investors or through an Initial Public Offering ("IPO"). The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future.

However, the possibility of a change in ownership of the company within the next 12 months means that the directors are unable to assess or control all scenarios for the company's future, including its funding, a future owner's intentions for the company, the post-sale group structure, or the impact on intercompany balances.

Given the uncertainties associated with these possible implications should a change of ownership occur, the potential effects of the proposed sale indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

1.2 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.

1.3 OTHER INTANGIBLE ASSETS

Other intangible assets relate to licences for the use of the Arriva brand name and they are being amortised through the statement of comprehensive income over a period of 15 years.

1. ACCOUNTING POLICIES (continued)

1.4 GOODWILL

Goodwill represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, at the acquisition date.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the business combination acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date, if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to the statement of comprehensive income. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has been quantified and disclosed within the notes to the accounts.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

1. ACCOUNTING POLICIES (continued)

1.5 TANGIBLE ASSETS

Tangible 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 assets, less their estimated residual value, over their expected useful lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

Depreciation is provided on the following bases:

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

1.6 OPERATING LEASES

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term.

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 statement of comprehensive income 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 each period.

1.8 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.

Notes to the financial statements
For the Year Ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

1.9 DEBTORS

Trade and other debtors are initially measured at fair value and subsequently at amortised cost. 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.

1.10 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.

1.11 CREDITORS

Trade creditors are obligations to pay for goods / services that have been acquired in the ordinary course of business and are initially stated at fair value.

1.12 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised as a financial asset or a financial liability in the balance sheet at the trade date. Derivative financial instruments are initially and subsequently measured at fair value. At the point at which the contract is taken out, derivative financial instruments are classified as a hedging instrument for hedging cash flows arising from a contractual obligation or an expected transaction. Cash flow hedges are used to provide protection against fluctuations in the cash flows of financial assets or liabilities or anticipated transactions. When future cash flows are hedged, the hedging instruments are recognised with their fair value. Changes in value are initially recognised in shareholders' equity with no impact on the statement of comprehensive income, and are only recognised in the statement of comprehensive income at the point at which the corresponding losses or profits from the underlying hedged item have an impact on the statement of comprehensive income or the transaction expires.

Derivatives are measured using common methods such as option price or present value models, because their fair values are not traded on an active market. No parameters from non-observable markets are used for measurement purposes, no credit risk adjustment is used for the present value of hedged transactions.

1.13 DIVIDENDS

Dividends are recognised in the company's financial statements in the period in which the dividends are paid to the shareholder.

1. ACCOUNTING POLICIES (continued)

1.14 CURRENT AND DEFERRED TAXATION

The tax charge or credit in the statement of comprehensive income represents the sum of the current tax charge or credit and the deferred tax charge or credit 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 tax charge or credit is based on the taxable profit for the year. Taxable profit can differ from the profit or loss before tax 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 or asset relating to current tax is calculated using rates prevailing during the year.

Where companies within the UK Group make payments for tax losses where the amount paid exceeds the tax value of the losses, any excess is reported as a movement through equity.

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 timing 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, using rates that have been enacted or substantively enacted at the balance sheet date. 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.

1. ACCOUNTING POLICIES (continued)

1.15 PENSIONS

During the year Arriva plc, the intermediate UK parent company, operated both a defined benefit pension scheme and a contract based pension scheme, which covered 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 under all schemes are charged to the statement of comprehensive income as they arise.

1. **ACCOUNTING POLICIES (continued)**

1.16 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - 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 and 18A 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 130(f)(ii), 130(f)(iii), 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 26 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, but makes amendments where necessary in order to comply with the Companies Act 2006.

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 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".

2. 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.

2.1 Useful economic lives of tangible fixed assets (estimates)

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 16 for the carrying amount of the tangible fixed assets and Note 1.5 for the useful economic lives for each class of assets.

2.2 Stock provisioning (estimates)

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 17 for the carrying amount of the stock.

2.3 Impairment of debtors (estimates)

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 ageing profile of debtors and historical experience. See Note 18 for the carrying amount of debtors.

2.4 Insurance provisions (estimates)

The company makes a provision for the amounts payable under insurance incidents as presented under accruals and deferred income, see Note 19 for the carrying amount of accruals and deferred income included within creditors. The estimation of the insurance provision is based on an assessment of the expected settlement on known claims based on the experience of insurance claims handlers.

3. TURNOVER

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

All turnover arose within the United Kingdom.

4. GENERAL INFORMATION

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

The registered company number is 84167 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 2018

5. OTHER OPERATING INCOME

	2018 £000	*2017 £000*
Net rents receivable	**147**	*131*
Ground rent receivable	**(8)**	*(38)*
Sundry income	**176**	*195*
	315	*288*

6. OPERATING PROFIT

The operating profit is stated after charging:

	2018 £000	*2017 £000*
Depreciation of tangible fixed assets - owned	**5,507**	*3,921*
Amortisation of intangible assets	**155**	*153*
Cost of stocks recognised as an expense	**-**	*5,622*
Operating lease rentals		
- land and buildings	**13**	*44*

During the year the company made a loss on disposal of fixed assets of £8,000 (2017: loss of £38,000).

7. AUDITORS' REMUNERATION

Fees payable to the company's auditors in respect of the audit of the financial statements of the company:

	2018 £000	*2017 £000*
Fees for the audit of the company	**13**	*13*

8. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2018 £000	*2017 £000*
Wages and salaries	**22,954**	*23,179*
Social security costs	**1,964**	*1,976*
Other pension costs (Note 24)	**1,237**	*1,191*
	26,155	*26,346*

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

	2018 No.	*2017 No.*
Drivers	**768**	*786*
Engineering	**73**	*75*
Administrative	**73**	*70*
	914	*931*

9. DIRECTORS' REMUNERATION

	2018 £000	*2017 £000*
Directors' emoluments	**685**	*722*
Company contributions to defined contribution pension schemes	**108**	*48*
	793	*770*

During the year retirement benefits were accruing to 8 directors *(2017 - 8)* in respect of defined benefit pension schemes.

The highest paid director received remuneration of £225,000 *(2017 - £225,000)*.

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £38,000 *(2017 - £10,000)*.

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	*2017 £000*
Interest receivable from group undertakings	**-**	*1*

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	*2017 £000*
Interest payable to group undertakings	**194**	*87*
	194	*87*

12. TAXATION

	2018 £000	*2017 £000*
CORPORATION TAX		
Current tax on profits for the year	**531**	*696*
Adjustments in respect of prior years	**856**	*879*
	1,387	*1,575*
TOTAL CURRENT TAX	**1,387**	*1,575*
DEFERRED TAX		
Origination and reversal of timing differences	**321**	*318*
Adjustments in respect of prior years	**(720)**	*(980)*
TOTAL DEFERRED TAX (Note 22)	**(399)**	*(662)*
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	**988**	*913*

12. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than *(2017 - lower than)* the standard rate of corporation tax in the UK of 19% *(2017 - 19.25%)*. The differences are explained below:

	2018 £000	*2017* *£000*
Profit on ordinary activities before tax	**4,408**	*5,235*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**838**	*1,008*
EFFECTS OF:		
Non-tax deductible amortisation of intangible assets	**29**	*29*
Adjustments to tax charge in respect of prior years	**139**	*(101)*
Depreciation in respect of ineligible assets	**20**	*19*
Impact of rate change on deferred tax	**(38)**	*(42)*
TOTAL TAX CHARGE FOR THE YEAR	**988**	*913*

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

On 16 March 2016, the Chancellor announced that the main rate of UK Corporation Tax would reduce further to 17% on 1 April 2020. This change was enacted on 15 September 2016.

13. DIVIDENDS

	2018 £000	*2017* *£000*
Dividends paid on ordinary shares	**5,000**	*6,000*
	5,000	*6,000*

14. GOODWILL

	£000
Cost	
At 1 January 2018	259
At 31 December 2018	**259**
Accumulated amortisation	
At 1 January 2018	185
At 31 December 2018	**185**
Net book value	
At 31 December 2018	**74**
At 31 December 2017	*74*

15. OTHER INTANGIBLE ASSETS

	Licences £000
Cost	
At 1 January 2018	1,700
At 31 December 2018	**1,700**
Accumulated amortisation	
At 1 January 2018	1,545
Charge for the year	155
At 31 December 2018	**1,700**
Net book value	
At 31 December 2018	-
At 31 December 2017	*155*

16. TANGIBLE FIXED ASSETS

	Freehold property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
Cost				
At 1 January 2018	9,591	3,944	42,351	55,886
Additions	134	112	4,125	4,371
Disposals	(5)	(1,388)	(3,635)	(5,028)
At 31 December 2018	9,720	2,668	42,841	55,229
Accumulated depreciation				
At 1 January 2018	1,248	3,218	8,919	13,385
Charge for the year	202	300	5,005	5,507
Disposals	(5)	(1,388)	(1,652)	(3,045)
At 31 December 2018	1,445	2,130	12,272	15,847
Net book value				
At 31 December 2018	8,275	538	30,569	39,382
At 31 December 2017	*8,343*	*726*	*33,432*	*42,501*

17. STOCKS

	2018 £000	*2017 £000*
Raw materials and consumables	430	*394*
	430	*394*

18. DEBTORS

	2018 £000	2017 £000
Due after more than one year		
Derivative financial instruments (Note 21)	**292**	*491*
	292	*491*

	2018 £000	2017 £000
Trade debtors	**99**	*261*
Amounts owed by group undertakings	**369**	*337*
Other debtors	**786**	*699*
Prepayments and accrued income	**463**	*514*
Derivative financial instruments (Note 21)	**234**	*216*
	1,951	*2,027*

19. CREDITORS: Amounts falling due within one year

	2018 £000	2017 £000
Bank overdrafts	**6**	*12*
Amounts owed to group undertakings	**9,329**	*9,776*
Corporation tax	**531**	*696*
Other taxation and social security	**591**	*588*
Other creditors	**557**	*659*
Accruals and deferred income	**4,128**	*4,768*
Derivative financial instruments (Note 21)	**262**	*256*
	15,404	*16,755*

Notes to the financial statements
For the Year Ended 31 December 2018

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

	2018 £000	2017 £000
Amounts owed to group undertakings	6,000	6,000
Derivative financial instruments (Note 21)	252	82
	6,252	6,082

21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments relate to cash flow hedges which are valued on a marked to market basis at the balance sheet date. Fuel price hedging has been entered into with the intention to reduce price fluctuations attributable to fuel sourcing.

The receipts/payments from fuel derivatives are recognised in the statement of comprehensive income in the periods in which they fall due.

The effectiveness of the hedge is assessed prospectively using linear regression. The retrospective effectiveness measurement is carried out as of every balance sheet date by means of linear regression. The ineffectiveness is also calculated using the dollar-offset method. Under this method, the changes in the market values of the underlying are compared with the changes in the market value of the hedging instrument. The resultant quotient determines the inefficiency.

The inefficiencies of cash flow hedges of the fuel price derivatives recognised in the statement of comprehensive income are £Nil (2017: £Nil).

The amounts recognised within the balance sheet are as follows:

	2018 £000	2017 £000
Debtors - amounts due more than one year	292	491
Debtors - amounts due within one year	234	216
Creditors - amounts due within one year	(262)	(256)
Creditors - amounts due more than one year	(252)	(82)
	12	369

22. DEFERRED TAXATION LIABILITY

	2018 £000	2017 £000
At 1 January	**978**	*1,518*
Credited to profit for the financial year (Note12)	**(399)**	*(662)*
(Credited) / charged to other comprehensive income	**(62)**	*122*
At 31 December	**517**	*978*

The deferred taxation liability is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	**543**	*979*
Short term timing differences	**(28)**	*(64)*
Derivative financial instruments	**2**	*63*
	517	*978*

23. CALLED UP SHARE CAPITAL

	2018 £000	2017 £000
Authorised		
1,429,678 Ordinary shares of £1 each (2017: 1,429,678)	**1,430**	*1,430*
Allotted, called up and fully paid		
1,310,753 Ordinary shares of £1 each (2017: 1,310,753)	**1,311**	*1,311*

Notes to the financial statements
For the Year Ended 31 December 2018

24. PENSION COMMITMENTS

At 31 December 2018 the UK intermediate parent company, Arriva plc, operated defined benefit pension schemes and a contract based pension scheme providing benefits to certain employees within Arriva Yorkshire Limited.

The defined benefit pension schemes are the Arriva Passenger Services Pension Plan and the Arriva Passenger Services National Pension Scheme, financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

The contract based pension scheme is the Arriva Workplace Pension Plan and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

Arriva Passenger Services Pension Plan

Contributions to the defined benefit scheme, the Arriva Passenger Services Pension Plan, are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 5th April 2017, using the Projected Unit Method. Check

Arriva Passenger Services National Pension Scheme

Contributions to the Arriva Passenger Services National Pension Scheme are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 6th April 2016, using the Projected Unit Method. Check

IAS 19 'Employee Benefits' (revised 2011)

The company makes contributions to the defined benefit pension schemes which are operated by the UK intermediate parent company, Arriva plc. Other companies within the Arriva group make contributions to the schemes, therefore it is not possible for the company to identify its share of the underlying assets and liabilities as at 31 December 2018. 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 statement of comprehensive income in the period in which they fall due.

The pension cost charge for the year represents contributions payable by the company to the pension schemes and amounted to £1,237,000 (2017: £1,191,000).

25. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	*2017*
	£000	*£000*
Not later than 1 year	**43**	*429*
Later than 1 year and not later than 5 years	**62**	*248*
Total	**105**	*677*

26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Arriva UK Bus 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 Arriva Yorkshire 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 Arriva Yorkshire Limited.

Information on Arriva Yorkshire Limited can be obtained from their registered address 1 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 paragraph 17 of IAS 24 'Related party disclosures' for wholly-owned subsidiaries.