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**ARRIVA THE SHIRES LIMITED**

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**Annual report and financial statements  
for the year ended 31 December 2014**

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**ARRIVA THE SHIRES LIMITED**

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**Company Information**

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**Directors**

P Adcock  
R A Bowler  
M Alibhai  
R Lamerton

**Company secretary**

L Edwards

**Company number**

2116519

**Registered office**

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

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**ARRIVA THE SHIRES LIMITED**

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## ARRIVA THE SHIRES LIMITED

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### Strategic report for the year ended 31 December 2014

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The directors present their Strategic report for the year ended 31 December 2014.

#### Principal activities

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

#### Business review

The company has traded successfully during the year increasing the profit on ordinary activities before taxation by £2.15m to £4.75m (2013 £2.60m). The improvement arises from improved trading and also by avoiding the high legal costs incurred in 2013.

The company did not pay any dividends in the year and therefore the shareholders' funds have increased to £17.4m as a result of the profit for the year transferred to reserves.

During the year the company repaid part of the group intercompany indebtedness.

The directors consider the state of the company's affairs to be satisfactory and the company retains sufficient liquidity to fulfil capital expenditure and trading requirements for 2015.

#### 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

The directors remain confident that the company will continue to operate in line with expectations.

#### Key performance indicators

The directors of Deutsche Bahn AG manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Arriva The Shires Limited. The development performance and position of the group, including this company, is discussed in the group's annual report which does not form part of this report.

This report was approved by the board on 7 September 2015 and signed on its behalf.



**L Edwards**  
Company secretary

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## ARRIVA THE SHIRES LIMITED

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### Directors' report for the year ended 31 December 2014

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The directors present their report and the audited financial statements for the year ended 31 December 2014.

#### Results and dividends

The profit for the financial year amounted to £3,495,000 (2013 - £1,654,000).

The company did not pay a dividend during the year (2013: £Nil).

#### Director

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

P Adcock  
B Barraclough (resigned 27 February 2015)  
R A Bowler  
K P Hawkins (resigned 31 March 2015)  
H Williams (resigned 31 March 2015)  
M D J Yexley (resigned 31 March 2015)  
M Alibhai (appointed 8 July 2014)  
N C Mellor (appointed 29 August 2013, resigned 30 May 2014)  
R Lamerton (appointed 23 March 2015)

#### 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.

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**ARRIVA THE SHIRES LIMITED**

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**Directors' report  
for the year ended 31 December 2014**

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**Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Disclosure of information to auditors**

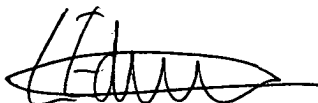
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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.

**Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate parent company DB Mobility Logistics AG, which is a wholly owned subsidiary of Deutsche Bahn AG.

This report was approved by the board on 7 September 2015 and signed on its behalf.



**L Edwards**  
Company secretary

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## **ARRIVA THE SHIRES LIMITED**

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

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#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Arriva The Shires 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 2014 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.

##### **What we have audited**

Arriva The Shires Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (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.

##### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

##### **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 to you 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.

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## ARRIVA THE SHIRES LIMITED

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

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#### 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 3, 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.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements 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.



Michael Jeffrey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
7 September 2015



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**ARRIVA THE SHIRES LIMITED**

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**Profit and loss account  
for the year ended 31 December 2014**

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	Note	2014 £000	2013 £000
<b>TURNOVER</b>	1,2	<b>90,877</b>	<b>88,742</b>
Cost of sales		(74,128)	(73,376)
<b>GROSS PROFIT</b>		<b>16,749</b>	<b>15,366</b>
Administrative expenses		(11,550)	(12,707)
Other operating income		36	5
<b>OPERATING PROFIT</b>	3	<b>5,235</b>	<b>2,664</b>
Interest receivable and similar income	7	8	43
Interest payable and similar charges	8	(492)	(103)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>4,751</b>	<b>2,604</b>
Tax on profit on ordinary activities	9	(1,256)	(950)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	19	<b>3,495</b>	<b>1,654</b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account. Therefore, no statement of total recognised gains and losses has been presented.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

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

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

**Balance sheet**  
**as at 31 December 2014**

	Note	£000	2014 £000	£000	2013 £000
<b>FIXED ASSETS</b>					
Intangible assets	10		1,259		1,642
Tangible assets	11		32,045		35,634
Investments	12		6,840		6,840
			<u>40,144</u>		<u>44,116</u>
<b>CURRENT ASSETS</b>					
Stocks	13	627		735	
Debtors	14	40,015		47,312	
Cash at bank and in hand		350		1,234	
		<u>40,992</u>		<u>49,281</u>	
<b>CREDITORS: amounts falling due within one year</b>	15	(56,302)		(65,837)	
<b>NET CURRENT LIABILITIES</b>			<u>(15,310)</u>		<u>(16,556)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>24,834</u>		<u>27,560</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16		(6,109)		(12,213)
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	17		(1,280)		(1,397)
<b>NET ASSETS</b>			<u>17,445</u>		<u>13,950</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		728		728
Profit and loss account	19		16,717		13,222
<b>TOTAL SHAREHOLDERS' FUNDS</b>	20		<u>17,445</u>		<u>13,950</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 September 2015.



**R A Bowler**  
Director

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

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## ARRIVA THE SHIRES LIMITED

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### Notes to the financial statements for the year ended 31 December 2014

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 applicable to companies reporting under UK GAAP, and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The company is a wholly-owned subsidiary of Deutsche Bahn AG and is included in the consolidated financial statements of Deutsche Bahn AG which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006. These financial statements, therefore, present information about the company as an individual undertaking and not about its group.

##### 1.2 Cash flow statement

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

##### 1.3 Turnover

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

##### 1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

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

##### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less 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	-	straight line over the life of the lease
Plant, machinery, fixtures and motor vehicles	-	10% to 48% straight line
Public service vehicles	-	straight line over periods up to 15 years

##### 1.6 Investments

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

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## ARRIVA THE SHIRES LIMITED

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### Notes to the financial statements for the year ended 31 December 2014

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.7 Leasing and hire purchase

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

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

##### 1.8 Operating leases

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

##### 1.9 Stocks

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

##### 1.10 Deferred taxation

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

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

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

Deferred tax assets and liabilities are not discounted.

##### 1.11 Pensions

During the year the company operated a contract based pension scheme, which covered employees of the company.

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

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**ARRIVA THE SHIRES LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2014**

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**1. ACCOUNTING POLICIES (continued)**

**1.12 Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate parent company DB Mobility Logistics AG, which is a wholly owned subsidiary of Deutsche Bahn AG.

**1.13 Dividends**

Dividend distributions to the company's shareholders are recognised in the company's financial statements in the period in which the dividends are paid.

**2. TURNOVER**

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

All turnover arose within the United Kingdom.

**3. OPERATING PROFIT**

The operating profit is stated after charging:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Amortisation - intangible assets	<b>383</b>	<b>383</b>
Depreciation of tangible assets:		
- owned by the company	<b>6,081</b>	<b>1,813</b>
- held under hire purchase and finance lease agreements	<b>71</b>	<b>221</b>
Operating lease rentals:		
- plant and machinery	<b>1,337</b>	<b>5,316</b>
- land and buildings	<b>698</b>	<b>290</b>
	<b>=====</b>	<b>=====</b>

During the year the company made a loss on disposal of fixed assets of £28,000 (2013 - profit of £18,000).

**4. AUDITORS' REMUNERATION**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the company's auditors for the audit of the company's annual financial statements	<b>26</b>	<b>26</b>
	<b>=====</b>	<b>=====</b>

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**ARRIVA THE SHIRES LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2014**

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**5. STAFF COSTS**

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

	2014 £000	2013 £000
Wages and salaries	43,480	42,307
Social security costs	3,969	3,861
Other pension costs (note 21)	1,468	1,524
	<u>48,917</u>	<u>47,692</u>

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

	2014 No.	2013 No.
Drivers	1,271	1,294
Engineering	137	118
Administrative	183	169
	<u>1,591</u>	<u>1,581</u>

**6. DIRECTORS' EMOLUMENTS**

	2014 £000	2013 £000
Remuneration	<u>267</u>	<u>297</u>
Employers pension contributions	<u>22</u>	<u>22</u>

During the year retirement benefits were accruing to 3 directors (2013 - 2) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £119,000 (2013 - £135,000) of which £10,000 (2013 - £21,000) related to employers contributions to a defined benefit pension scheme.

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2014 £000	2013 £000
Interest receivable from group undertakings	<u>8</u>	<u>43</u>

**ARRIVA THE SHIRES LIMITED**

**Notes to the financial statements  
for the year ended 31 December 2014**

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Interest payable to group undertakings	487	103
On finance leases and hire purchase contracts	5	-
	<u>492</u>	<u>103</u>

**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	1,229	157
Adjustments in respect of prior years	144	(56)
<b>Total current tax</b>	<u>1,373</u>	<u>101</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(121)	889
Adjustments in respect of prior years	4	(40)
<b>Total deferred tax</b> (see note 17)	<u>(117)</u>	<u>849</u>
<b>Tax on profit on ordinary activities</b>	<u>1,256</u>	<u>950</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2013 - lower than) the standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%). The differences are explained below:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	<u>4,751</u>	<u>2,604</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%)	1,021	605
<b>Effects of:</b>		
Non-tax deductible amortisation of intangible fixed assets	60	89
Expenses not deductible for tax purposes	18	18
Capital allowances for year less than/(in excess of) depreciation	130	(555)
Adjustments in respect of prior years	144	(56)
<b>Current tax charge for the year</b> (see note above)	<u>1,373</u>	<u>101</u>

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ARRIVA THE SHIRES LIMITED

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Notes to the financial statements  
for the year ended 31 December 2014

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9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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%.

10. INTANGIBLE ASSETS

	Licences £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 January 2014 and 31 December 2014	2,840	2,508	5,348
<b>Accumulated amortisation</b>			
At 1 January 2014	1,770	1,936	3,706
Charge for the year	213	170	383
At 31 December 2014	1,983	2,106	4,089
<b>Net book value</b>			
At 31 December 2014	857	402	1,259
At 31 December 2013	1,070	572	1,642



**ARRIVA THE SHIRES LIMITED**

**Notes to the financial statements  
for the year ended 31 December 2014**

**11. TANGIBLE ASSETS**

	Leasehold property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
<b>Cost</b>				
At 1 January 2014	1,161	6,462	40,551	48,174
Additions	38	315	3,219	3,572
Disposals	-	(27)	(1,009)	(1,036)
At 31 December 2014	1,199	6,750	42,761	50,710
<b>Accumulated depreciation</b>				
At 1 January 2014	532	4,603	7,405	12,540
Charge for the year	79	408	5,665	6,152
Disposals	-	(27)	-	(27)
At 31 December 2014	611	4,984	13,070	18,665
<b>Net book value</b>				
At 31 December 2014	588	1,766	29,691	32,045
At 31 December 2013	629	1,859	33,146	35,634

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

	2014 £000	2013 £000
Public service vehicles	-	1,748

The depreciation charged to the financial statements in the year in respect of such assets amounted to £71,000 (2013: £221,000).

The net book value of long leasehold property is £480,000 (2013: £501,000) and the net book value of short leasehold property is £108,000 (2013: £128,000).

**12. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £000
<b>Cost and net book value</b>	
At 1 January 2014 and 31 December 2014	6,840

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**ARRIVA THE SHIRES LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2014**

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**12. FIXED ASSET INVESTMENTS (continued)**

**Subsidiary undertakings**

The following are subsidiary undertakings of the company:

<b>Name of company</b>	<b>Class of shares</b>	<b>Holding</b>
Premier Buses Limited	Ordinary	100 %
M K Metro Limited	Ordinary	100 %

<b>Name of company</b>	<b>Nature of business</b>	<b>Country of incorporation and operation</b>
Premier Buses Limited	Holding company	United Kingdom
M K Metro Limited	Dormant	United Kingdom

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

The investment in M K Metro Limited is held indirectly.

**13. STOCKS**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<b>627</b>	<b>735</b>

**14. DEBTORS**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>996</b>	<b>1,332</b>
Amounts owed by group undertakings	<b>36,613</b>	<b>43,965</b>
Other debtors	<b>921</b>	<b>379</b>
Prepayments and accrued income	<b>1,485</b>	<b>1,636</b>
	<b>40,015</b>	<b>47,312</b>

**ARRIVA THE SHIRES LIMITED**

**Notes to the financial statements  
for the year ended 31 December 2014**

**15. CREDITORS:**

**Amounts falling due within one year**

	2014 £000	2013 £000
Net obligations under finance leases and hire purchase contracts	-	293
Amounts owed to group undertakings	48,362	58,785
Corporation tax	1,229	157
Other taxation and social security	1,227	1,163
Other creditors	1,306	820
Accruals and deferred income	4,178	4,619
	<u>56,302</u>	<u>65,837</u>

**16. CREDITORS:**

**Amounts falling due after more than one year**

	2014 £000	2013 £000
Amounts owed to group undertakings	6,000	12,000
Accruals and deferred income	109	213
	<u>6,109</u>	<u>12,213</u>

**17. DEFERRED TAX**

The deferred tax included in the balance sheet is as follows:

	2014 £000	2013 £000
At 1 January	1,397	548
Movement in the profit and loss account during the year (note 9)	(117)	849
At 31 December	<u>1,280</u>	<u>1,397</u>

The provision for deferred taxation is made up as follows:

	2014 £000	2013 £000
Accelerated capital allowances	1,353	1,472
Other short term timing differences	(73)	(75)
	<u>1,280</u>	<u>1,397</u>

# ARRIVA THE SHIRES LIMITED

## Notes to the financial statements for the year ended 31 December 2014

### 18. CALLED UP SHARE CAPITAL

	2014 £	2013 £
<b>Authorised</b>		
10,000,000 Ordinary shares of £0.10 each (2013: 10,000,000)	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted and fully paid</b>		
7,283,079 Ordinary shares of £0.10 each (2013: 7,283,079)	<u>728,308</u>	<u>728,308</u>

### 19. RESERVES

	Profit and loss account £000
At 1 January 2014	13,222
Profit for the financial year	3,495
At 31 December 2014	<u>16,717</u>

### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £000	2013 £000
Opening shareholders' funds	13,950	12,296
Profit for the financial year	3,495	1,654
Closing shareholders' funds	<u>17,445</u>	<u>13,950</u>

### 21. PENSION COMMITMENTS

At 31 December 2014 the UK intermediate parent company, Arriva plc, operated a contract based retirement benefit scheme providing benefits to certain employees within Arriva The Shires Limited. The scheme is financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

Contributions to the defined benefit scheme, the Arriva Passenger Services Pension Plan, are based upon actuarial advice following the most recent actuarial valuation of the funds. The latest actuarial valuations were performed as at 5th April 2011, using the Projected Unit Method. The principal actuarial assumptions were that:

- (i) the annual rate of return on investment would be 7.0 per cent higher than the annual increase in total pensionable remuneration of nil per cent (frozen for 4 years from 1 December 2009, capped at 1% thereafter); and
- (ii) there would be no variation from the scheme's rules to pensions in payment.

On the basis of these assumptions the actuarial value of the funds at 5th April 2011 was sufficient to cover 94.6 per cent of the benefits then accrued to members. The market value of the Scheme's assets at 5th April 2011 was £369.1 million.

The pension cost charge for the year represents contributions payable by the company to both schemes and amounted to £1,468,000 (2013: £1,524,000).

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## ARRIVA THE SHIRES LIMITED

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### Notes to the financial statements for the year ended 31 December 2014

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#### 21. PENSION COMMITMENTS (continued)

##### FRS 17 'Retirement benefits'

The company makes contributions to the aforementioned schemes which are operated by the UK intermediate parent company, Arriva plc. Other companies within the Arriva group make contributions to the Arriva Passenger Services Pension Plan, therefore it is not possible for the company to identify its share of the underlying assets and liabilities as at 31 December 2014. As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions payable by the company are charged to the profit and loss account in the period in which they fall due.

#### 22. OPERATING LEASE COMMITMENTS

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

	Land and buildings		2014 £000	Other 2013 £000
	2014 £000	2013 £000		
Expiry date:				
Within 1 year	-	303	633	290
Between 2 and 5 years	134	133	-	-
After more than 5 years	593	289	-	-

#### 23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

Deutsche Bahn AG is the largest group to consolidate the financial statements of Arriva The Shires Limited and DB Mobility Logistics AG is the smallest.

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

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