

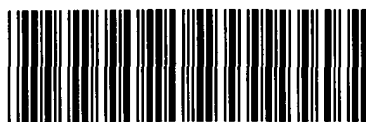
Registered number: 2404350

ARRIVA DURHAM COUNTY LIMITED

Annual report and financial statements

For the Year Ended 31 December 2019

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ARRIVA DURHAM COUNTY LIMITED

Company Information

Directors	J I Thompson RJ Hoare G Peace T C Edwards P Cummins
Registered number	2404350
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

ARRIVA DURHAM COUNTY LIMITED

Contents

	Page
Strategic report	1 - 4
Directors' report	5 - 8
Independent auditors' report	9 - 11
Statement of comprehensive income	12
Balance sheet	13 - 14
Statement of changes in equity	15 - 16
Notes to the financial statements	17 - 39

ARRIVA DURHAM COUNTY LIMITED

Strategic report For the Year Ended 31 December 2019

The directors present their Strategic report for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the company is the operation of bus and coach services.

REVIEW OF BUSINESS

The company's statement of comprehensive income on page 12 shows a profit before taxation of £1,836,000 (2018: £4,429,000). The reduction is primarily due to a reduction in turnover in 2019 as a result of driver strikes together with an increase in driver and engineering costs.

As at the balance sheet date the company had net assets of £29,549,000 (2018: £33,924,000). The decrease reflects the payment of a dividend of £6,000,000 (2018: £nil), partially offset by the profits and positive cash flow hedge reserve movements in the year.

Following the year end, and consistent with other public transport operators, the company has experienced a significant fall in demand for its services since March 2020 as a result of the coronavirus (Covid-19) pandemic. To mitigate the financial impact of the pandemic on regional bus operators in England, including the company, the Department for Transport ('DfT') has provided financial support, through the Covid-19 Bus Services Support Grant ('CBSSG') which was introduced in March 2020.

The company has obtained CBSSG funding to support its ongoing operations since March 2020, and has also made use of the Covid-19 Bus Services Support Grant Restart ('CBSSG Restart'), an extension to the CBSSG funding support which was introduced in August 2020. Under CBSSG Restart, the DfT has also confirmed that funding of up to £27.3m per week will be made available on a rolling basis to bus service operators in England until such funding is no longer required.

The directors consider the state of the company's affairs to be satisfactory.

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 Arriva plc which does not form part of this report.

FUTURE DEVELOPMENTS

The company is a wholly owned subsidiary of Arriva UK Bus Holdings Limited and part of the Arriva group which Deutsche Bahn AG heads. As a public transport operator, the Arriva group has been significantly impacted by the Covid-19 coronavirus pandemic with a resulting impact on passengers, colleagues, and other business stakeholders. The Arriva group has and continues to work closely with both local and national government bodies and transport authorities on support measures to ensure continuation of critical transportation services during the pandemic.

The company has been working with local authorities to increase services closer to pre-pandemic service levels, to ensure a reduced risk of overcrowding following the reopening of major sectors of the economy. The company will seek to maintain its services at or close to pre-pandemic levels, supported by continued use of available CBSSG Restart funding.

Strategic report (continued)
For the Year Ended 31 December 2019

FUTURE DEVELOPMENTS (continued)Liquidity risk

The company voluntarily participates in a group cash pooling arrangement operated by its ultimate parent, Deutsche Bahn AG ('DB'). This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies, and the company has been party to this arrangement for several years. Under the arrangement substantially all the company's cash balances are swept into the group cash pool at the end of each business day. The company has a positive cash pooling balance at the balance sheet date, and the directors expect the company's pooled cash balance to remain positive over the going concern assessment period.

The company is currently dependent on daily access to its funds in the cash pool for the funds required to operate and to support the going concern assertion. As the terms of the company's agreement with DB do not provide explicit rights for immediate access to these funds on request, this gives rise to a potential liquidity risk that funds may not be available as required to settle liabilities during the period of 12 months from the date of approval of the financial statements, which the directors acknowledge that this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. However, the directors consider this risk to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice.

Since inception of the pooling arrangement, the company has never experienced any issue being able to draw upon its cash balances within the group cash pool to settle its liabilities as they fall due. The company also has a unilateral right to terminate its participation in the group cash pooling arrangement by giving one month's notice to DB.

Trading risk

In completing their going concern assessment, the directors have also considered the expected impact of the Covid-19 pandemic on the company's financial position, based on severe but plausible downside scenarios, along with associated management actions including the continued use of the COVID-19 Bus Service Support Grant (CBSSG) Restart funding, to mitigate those impacts on the company's cash position. This includes consideration of the risk, which the directors believe to be remote, of potential amendments to calculation methodology within the CBSSG, which is at the discretion of the DfT, that could result in the need to repay funds received under the CBSSG to date.

The directors are confident that if pandemic response measures impacting use of public transportation were to persist for longer than anticipated, any withdrawal of government funding (including CBSSG Restart) would also be delayed. However, there is no guarantee that CBSSG Restart or equivalent government funding, received to date or in the future, will remain in place and additional management actions might need to be implemented, which may include, reducing services, delaying or curtailing discretionary expenditures and capital expenditure. The directors acknowledge that this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Outcome of directors' going concern assessment

The directors acknowledge that the uncertainty regarding immediate access to funds placed with DB and the lack of certainty that government funding support will remain in place. The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to have full and immediate access to its pooled cash balances with DB, and will continue to have access to adequate financial and other resources to continue to operate for the foreseeable future.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not contain the adjustments that would arise if the company were unable to continue as a going concern.

Strategic report (continued)
For the Year Ended 31 December 2019

SECTION 172 STATEMENT

The directors work to promote the success of the company, by considering the impact that their decisions may have on the company, along with the company's stakeholders. The issues and factors which have guided the directors' decisions are outlined in the 'Review of business' and the 'Principal Risks and Uncertainties' sections of this report.

The company's key stakeholders include, but are not limited to:

- Deutsche Bahn AG;
- Arriva UK Bus Investments Limited;
- Suppliers;
- The Department for Transport;
- Local Transport Authorities ; and
- Local communities in which the company is based.

During the financial year ended 31 December 2019 the directors, having regard to the financial performance and position of the company, and ability to continue to meet the expectations of its key stakeholders, made a principal decision to pay a dividend to its parent company Arriva UK Bus Holding Limited. The directors considered the business implications and reserves and determined that the payment of the dividend leaves the company with sufficient resources and would not impact the company's long-term success.

The Arriva group's values are working as "One Arriva", providing great customer experience, doing the right thing and thinking beyond. These values underpin the Arriva group's strategy and vision. Arriva group's vision is to be the preferred mobility partner of choice by customers, and its strategy is to have the best employees to strengthen its existing strong foundation and improve its business to create a platform for growth.

The directors of the company promote good governance, which is key to driving the success of the company. The directors also aim to achieve the above values of the Arriva group, as well as continuing good relationships with all stakeholders who are critical to the long-term success of the company. The directors consider the Arriva group values when making decisions.

During the financial year ended 31 December 2019, the company engaged, and continues to engage, with customers and customer groups to ensure a positive customer experience (including for passengers and the relevant local authorities in the area in which the company operates).

The company takes payment practice commitments to suppliers seriously and seeks to ensure prompt payment of invoices (in line with Arriva group's policies), and that there is a clear process in the event of any invoice dispute. The company believes that prompt payment of invoices is key to facilitating a good relationship with its suppliers.

The directors of the company aim to meet at least once in each financial year to discuss the matters that cannot be delegated under the Companies Act 2006.

The implementation of the strategy and policies of the company, including those relating to its relationships with key stakeholders, are managed locally by the board of the company, and oversight is provided by the Arriva UK Bus Leadership team. Any major matters of interest are then communicated to the Arriva Management Board (the "AMB"), a subcommittee of the board of Arriva plc. The membership of the AMB includes the Managing Director of the UK Bus division.

The company is committed to the communities that it serves. At Arriva group, a Director of Corporate & Social Responsibility ("CSR") has oversight of strategic commitments for CSR for the Arriva group, which forms part of the wider business strategy for the Arriva group.

ARRIVA DURHAM COUNTY LIMITED

Strategic report (continued)
For the Year Ended 31 December 2019

SECTION 172 STATEMENT (continued)

During the financial year ended 31 December 2019, initiatives for the Arriva group across the UK including supporting food banks, supporting homeless charities and partaking in appeals for local children's charities. Initiatives for Arriva's UK Bus division included supporting the Royal British Legion, MIND and local food banks across our network.

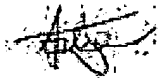
Further information on engagement with employees during the financial year ended 31 December 2019 is provided in the 'Employee engagement' section of the Directors' report.

Further information on engagement with customers during the financial year ended 31 December 2019 is provided in the 'Engagement with suppliers, customers and others' section of the Directors' report.

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 Durham County 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 12 April 2021 and signed on behalf of the Board.



J I Thompson
Director

ARRIVA DURHAM COUNTY LIMITED

Directors' report For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the year amounted to £1,486,000 (2018 - £3,442,000).

The company paid a dividend during the year of £6,000,000 (2018 - £Nil).

DIRECTORS

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

N P Featham (resigned 30 August 2019)
D Cocker (resigned 31 March 2020)
M A Thornley (appointed 1 April 2020, resigned 30 June 2020)
G Peace (appointed 21 January 2019)
T C Edwards (appointed 5 March 2019)
N R Knox (resigned 30 June 2020)
P M Stone (appointed 1 September 2019, resigned 31 March 2021)
A Ashcroft (appointed 11 October 2019, resigned 1 April 2020)
J I Thompson (appointed 31 March 2020)
P Cummins (appointed 1 July 2020)
R J Hoare (appointed 1 June 2020)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of financial risk management objectives and policies are shown in the annual report of the UK intermediate parent company, Arriva plc, which does not form part of this report.

EMPLOYEE ENGAGEMENT

The company recognises that its employees are key to its success and it is committed to creating a working environment where everyone has the opportunity to learn, develop and contribute to the success of the company, whilst working within a common set of values.

The Arriva group conducts biennial employee surveys which are used to highlight areas of improvement, and areas of concern. The Arriva Management Board oversees initiatives to improve any areas of improvement highlighted by the surveys, as well as maintaining those areas highlighted as working well. The results of the employee surveys are communicated via the Arriva group's intranet and Yammer pages, in addition meetings are held by line managers with their teams in order to address areas of concern and seek employee input to find solutions.

Information on matters impacting employees, including initiatives arising following the employee surveys, are communicated to employees through briefings via line managers, email bulletins and using the Arriva group's intranet. There is also a weekly update on the Arriva group's intranet highlighting success stories. The update is also used to improve connectivity within the Arriva group and to promote working together as One Arriva.

In 2019 Arriva group launched 'GAIN' for Mental Health, which is the Arriva group's Global Arriva Inclusion Network aimed at promoting support for mental health, and encouraging employees to share their stories in order to tackle mental health concerns, and provide support to the wider Arriva group.

The company aspires to be an employer of choice and to employ a diverse workforce with the skills, abilities and attitudes to meet the company's business objectives and needs. The company's aim is to provide appropriate remuneration, benefits and conditions of employment which serve to attract, retain, motivate and reward its employees.

ARRIVA DURHAM COUNTY LIMITED

Directors' report For the Year Ended 31 December 2019

EMPLOYEE ENGAGEMENT (continued)

The company has, subject to the restraints of commercial confidentiality, a policy of employee involvement and inclusion, by making information available to employees about recent and future developments and business activities of the company, including financial and economic factors that may have impacted on the company's performance.

Arriva group has a strategic objective to 'build the future generation of leaders' and building talent pools helps to achieve this. In addition to local initiatives, two group-wide programmes are in place to develop emerging and future leaders across the Arriva group.

In 2019 Arriva group launched the 'Emerging Leaders' programme which is aimed at identifying and developing future leaders whose next step is a senior manager role, and who demonstrate the performance, potential and aspiration required to progress to this. As part of this programme candidates are required to complete an assessment for development which will give them the opportunity to discuss their career goals and experience in more detail and receive valuable feedback on their strengths and development areas against the Arriva Leadership Model. The assessment will result in a development plan, highlighting what steps they can take to help them achieve their career goals. Following the assessment certain candidates progress to the next phase, which includes leadership workshops and projects.

Also, in 2019, the 'Lift Off for Leadership' programme was launched. This programme is for individuals who are still in the early stages of their career, who have demonstrated the potential to be a leader of the future. The programme focuses on improving readiness for broader roles. Participants join a 12-month programme of workshops and ongoing development activities, including coaching and job shadowing.

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.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

The company's long-term success is dependent on fostering strong and effective business relationships with key stakeholders. The company's key stakeholders include, but are not limited to:

- Deutsche Bahn AG;
- Arriva UK Bus Investments Limited;
- Suppliers;
- The Department for Transport;
- Local Transport Authorities ; and
- Local communities in which the company is based.

The company is part of the Arriva plc group, and its ultimate parent company is Deutsche Bahn AG.

The implementation of strategies and policies of the company relating to its relationships with key stakeholders are managed locally by the board of the company, and oversight is provided by the Arriva UK Bus Leadership team.

ARRIVA DURHAM COUNTY LIMITED

Directors' report For the Year Ended 31 December 2019

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS (continued)

The company engages extensively with national and local passenger groups, and collects feedback from customers through a variety of methods:

- participation in the National Bus Passenger Survey, a yearly survey of passenger views across bus operators lead by Transport Focus.
- Arriva UK Bus carry out an annual customer satisfaction survey and uses the results from the survey to address issues and develop services and products to meet changing demand.
- Regular engagement with passenger groups, including Bus Users UK and Transport Focus, which helps to ensure that the interests and voices of customers, and their experiences, inform decision making.
- A close working relationship with industry stakeholder groups, including the Confederation of Passenger Transport which promotes collaborative working on shared industry challenges.
- Arriva UK Bus also maintains frequent communication with stakeholders in Government, including with the Department for Transport, as well as other relevant departments, authorities and public bodies.

Further information on how the directors have fostered relationships with suppliers and the local communities in which the company operates is detailed in the Section 172 statement in the Strategic Report. Further information on how the company has fostered relationships with its employees during the financial year ended 31 December 2019 is provided in the Employee Engagement section of this report.

MATTERS COVERED IN THE STRATEGIC REPORT

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

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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, comprising FRS 101 "Reduced Disclosure Framework", 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;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

ARRIVA DURHAM COUNTY LIMITED

**Directors' report
For the Year Ended 31 December 2019**

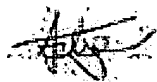
**DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS
(continued)**

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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 12 April 2021 and signed by order of the Board.



J I Thompson
Director

ARRIVA DURHAM COUNTY LIMITED

Independent auditors' report to the members of Arriva Durham County Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arriva Durham County Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 Act 2006.

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 2019; the Statement of comprehensive income and 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 company is dependent on the Deutsche Bahn AG ("DB") cash pooling arrangements for access to the cash necessary for the day-to-day running of the company and to support the going concern assertion. As per the terms of the company's agreement with DB, the company does not have explicit rights for immediate access to these funds on request, which gives rise to a potential liquidity risk that funds may not be available as required to settle liabilities during the period of 12 months from the date of approval of the financial statements. In addition, in a severe but plausible downside scenario, if pandemic response measures impacting use of public transportation were to persist for longer than anticipated, the directors expect that any withdrawal of government funding (including COVID-19 Bus Service Support Grant Restart) would also be delayed. However, there is no guarantee that CBSSG Restart or equivalent government funding, received to date or in the future, will remain in place in its current form, and there is no formal commitment in place for the DB credit facility. 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.

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.

Independent auditors' report to the members of Arriva Durham County Limited (continued)

Reporting on other information (continued)

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 2019 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 in respect of the financial statements, 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.

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.

ARRIVA DURHAM COUNTY LIMITED

Independent auditors' report to the members of Arriva Drham County Limited (continued)


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.



Craig Willis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
12 April 2021

ARRIVA DURHAM COUNTY LIMITED

Statement of comprehensive income For the Year Ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	43,613	44,881
Cost of sales		(34,015)	(33,379)
Gross profit		9,598	11,502
Administrative expenses		(8,187)	(7,240)
Other operating income	5	373	107
Operating profit	6	1,784	4,369
Interest receivable and similar income	9	99	64
Interest payable and similar expenses	10	(47)	(4)
Profit before taxation		1,836	4,429
Tax on profit	11	(350)	(987)
Profit for the financial year		1,486	3,442
Other comprehensive income / (expense):			
Items that may be reclassified to profit or loss:			
Changes in market value of cash flow hedges	20	168	(334)
Deferred tax attributable to changes in market value of cash flow hedges (Note 21)		(29)	56
Total other comprehensive income / (expense) net of tax		139	(278)
Total comprehensive income for the financial year		1,625	3,164

The notes on pages 17 to 39 form part of these financial statements.

ARRIVA DURHAM COUNTY LIMITED
Registered number: 2404350

Balance sheet
As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Goodwill	13	-	-
Intangible assets	14	-	-
Tangible assets	15	26,295	26,210
		<u>26,295</u>	<u>26,210</u>
Current assets			
Stocks	16	353	367
Debtors: Amounts falling due more than one year	17	112	290
Debtors: Amounts falling due within one year	17	12,024	14,694
Cash at bank and in hand		16	-
		<u>12,505</u>	<u>15,351</u>
Creditors: Amounts falling due within one year	18	(5,948)	(6,137)
Net current assets		<u>6,557</u>	<u>9,214</u>
Total assets less current liabilities		<u>32,852</u>	<u>35,424</u>
Creditors: Amounts falling due more than one year	19	(2,058)	(250)
Provisions for liabilities			
Deferred tax		(1,245)	(1,250)
		<u>(1,245)</u>	<u>(1,250)</u>
Net assets		<u><u>29,549</u></u>	<u><u>33,924</u></u>

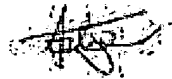
ARRIVA DURHAM COUNTY LIMITED
Registered number:2404350

Balance sheet (continued)
As at 31 December 2019

Capital and reserves

Called up share capital	22	1	1
Share premium account		13,999	13,999
Cash flow hedge reserve		148	9
Profit and loss account		15,401	19,915
Total shareholders' funds		29,549	33,924

The financial statements on pages 12 to 39 were approved and authorised for issue by the board and were signed on its behalf on 12 April 2021.



J I Thompson
Director

The notes on pages 17 to 39 form part of these financial statements.

ARRIVA DURHAM COUNTY LIMITED

**Statement of changes in equity
For the Year Ended 31 December 2019**

	Called up share capital	Share premium account	Cash flow hedge reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2019	1	13,999	9	19,915	33,924
Comprehensive income for the year					
Profit for the financial year	-	-	-	1,486	1,486
Changes in market value of cash flow hedges	-	-	168	-	168
Deferred tax attributable to changes in market value of cash flow hedges	-	-	(29)	-	(29)
Other comprehensive income for the year	-	-	139	-	139
Total comprehensive income for the year	-	-	139	1,486	1,625
Dividends paid (Note 12)	-	-	-	(6,000)	(6,000)
At 31 December 2019	1	13,999	148	15,401	29,549

The notes on pages 17 to 39 form part of these financial statements.

ARRIVA DURHAM COUNTY LIMITED

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

	Called up share capital	Share premium account	Cash flow hedge reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2018	1	13,999	287	16,473	30,760
Comprehensive income for the year					
Profit for the financial year	-	-	-	3,442	3,442
Changes in market value of cash flow hedges	-	-	(334)	-	(334)
Deferred tax attributable to changes in market value of cash flow hedges	-	-	56	-	56
Other comprehensive expense for the year	-	-	(278)	-	(278)
Total comprehensive (expense) / income for the year	-	-	(278)	3,442	3,164
At 31 December 2018	1	13,999	9	19,915	33,924

The notes on pages 17 to 39 form part of these financial statements.

**Notes to the financial statements
For the Year Ended 31 December 2019**

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 16 "Leases", which has had a material impact on the company's financial statements (see Note 26). There are no other amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

GOING CONCERN

The company is a wholly owned subsidiary of Arriva UK Bus Holdings Limited and part of the Arriva group which Deutsche Bahn AG heads. As a public transport operator, the Arriva group has been significantly impacted by the Covid-19 coronavirus pandemic with a resulting impact on passengers, colleagues, and other business stakeholders. The Arriva group has and continues to work closely with both local and national government bodies and transport authorities on support measures to ensure continuation of critical transportation services during the pandemic.

The company has been working with local authorities to increase services closer to pre-pandemic service levels, to ensure a reduced risk of overcrowding following the reopening of major sectors of the economy. The company will seek to maintain its services at or close to pre-pandemic levels, supported by continued use of available CBSSG Restart funding.

Liquidity risk

The company voluntarily participates in a group cash pooling arrangement operated by its ultimate parent, Deutsche Bahn AG ('DB'). This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies, and the company has been party to this arrangement for several years. Under the arrangement substantially all the company's cash balances are swept into the group cash pool at the end of each business day. The company has a positive cash pooling balance at the balance sheet date, and the directors expect the company's pooled cash balance to remain positive over the going concern assessment period.

The company is currently dependent on daily access to its funds in the cash pool for the funds required to operate and to support the going concern assertion. As the terms of the company's agreement with DB do not provide explicit rights for immediate access to these funds on request, this gives rise to a potential liquidity risk that funds may not be available as required to settle liabilities during the period of 12 months from the date of approval of the financial statements, which the directors acknowledge that this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. However, the directors consider this risk to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice.

**Notes to the financial statements
For the Year Ended 31 December 2019**

**1. ACCOUNTING POLICIES
(CONTINUED)**

GOING CONCERN (continued)

Liquidity risk (continued)

Since inception of the pooling arrangement, the company has never experienced any issue being able to draw upon its cash balances within the group cash pool to settle its liabilities as they fall due. The company also has a unilateral right to terminate its participation in the group cash pooling arrangement by giving one month's notice to DB.

Trading risk

In completing their going concern assessment, the directors have also considered the expected impact of the Covid-19 pandemic on the company's financial position, based on severe but plausible downside scenarios, along with associated management actions including the continued use of the COVID-19 Bus Service Support Grant (CBSSG) Restart funding, to mitigate those impacts on the company's cash position. This includes consideration of the risk, which the directors believe to be remote, of potential amendments to calculation methodology within the CBSSG, which is at the discretion of the DfT, that could result in the need to repay funds received under the CBSSG to date.

The directors are confident that if pandemic response measures impacting use of public transportation were to persist for longer than anticipated, any withdrawal of government funding (including CBSSG Restart) would also be delayed. However, there is no guarantee that CBSSG Restart or equivalent government funding, received to date or in the future, will remain in place and additional management actions might need to be implemented, which may include, reducing services, delaying or curtailing discretionary expenditures and capital expenditure. The directors acknowledge that this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Outcome of directors' going concern assessment

The directors acknowledge that the uncertainty regarding immediate access to funds placed with DB and the lack of certainty that government funding support will remain in place. The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to have full and immediate access to its pooled cash balances with DB, and will continue to have access to adequate financial and other resources to continue to operate for the foreseeable future.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not contain the adjustments that would arise if the company were unable 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 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.

ARRIVA DURHAM COUNTY LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2019**

**1. ACCOUNTING POLICIES
(CONTINUED)**

1.3 GOODWILL AND INTANGIBLE ASSETS

For acquisitions after 1 January 1998, goodwill, which represents the excess of cost of acquisitions of businesses over the value attributed to their net assets, was amortised through profit or loss by equal annual installments over its estimated useful economic life up to a maximum of 20 years, under UK GAAP. Goodwill was fully amortised at the date of transition to FRS 101 on 1 January 2014.

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

1.4 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 charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. 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
Right-of-use assets	-	over the term of the lease

**Notes to the financial statements
For the Year Ended 31 December 2019**

**1. ACCOUNTING POLICIES
(CONTINUED)**

1.5 LEASES

For lease contracts within the scope of IFRS 16, a lease liability and corresponding right-of-use asset are recognised at the lease commencement date.

The lease liability is initially measured at the present value of future lease payments, discounted using the incremental borrowing rate of the company (or rate implicit in the lease, if available). Future lease payments include fixed and variable payments, amounts repayable under a residual value guarantee, and the exercise price of future purchase options the company is reasonably certain to exercise (where applicable). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The liability is subsequently measured at amortised cost using the effective interest method, with the financing cost recognised within 'Interest payable and similar expenses'.

Corresponding right-of-use assets are measured at the initial amount of the lease liability, adjusted for any lease payments prepaid at the commencement date, initial direct costs, lease incentives, and an estimate of costs to dismantle or remove the underlying asset. Subsequently, the right-of-use asset is depreciated on a straight-line basis over the lease term. Where an impairment indicator is identified the right-of-use asset is adjusted by any associated impairment losses. The right-of-use asset is also adjusted for any remeasurements of the lease liability.

The company has elected to apply the exemption included within IFRS 16 for short-term leases (lease terms of less than 12 months from the commencement date), and low value leases (asset values less than €5,000). The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Prior to the adoption of IFRS 16 on 1 January 2019, the company classified its lease contracts as operating or finance leases in line with IAS 17, with contracts categorised as finance leases where it was determined that the risks and rewards of ownership of the asset had transferred to the company. All of the company's leases were previously categorised as operating leases under IAS 17, with the associated costs recognised as an expense on a straight-line basis over the lease term.

1.6 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.

1.7 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.

**Notes to the financial statements
For the Year Ended 31 December 2019**

**1. ACCOUNTING POLICIES
(CONTINUED)**

1.8 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 requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- 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 25 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".

**Notes to the financial statements
For the Year Ended 31 December 2019**

**1. ACCOUNTING POLICIES
(CONTINUED)****1.9 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.

**Notes to the financial statements
For the Year Ended 31 December 2019**

**1. ACCOUNTING POLICIES
(CONTINUED)**

1.10 DEBTORS

Trade and other debtors are held with the intention to collect the contractual cash flows and are initially measured at fair value and subsequently at amortised cost less any allowance for impairment (where such allowance is material).

The simplified approach is used to measure expected lifetime credit loss allowances under IFRS 9 for trade and other debtors on a collective basis for any assets that are not considered to be individually impaired. Trade and other debtors are considered to be individually impaired when there is objective evidence that the estimated future cash flows associated with the asset have been affected. Objective evidence for impairment could be observable changes in national or local economic conditions / government policies on transport. Allowances for expected credit losses on trade and other debtors are recognised only where they are material.

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 and subsequently at amortised cost.

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.

**Notes to the financial statements
For the Year Ended 31 December 2019**

**1. ACCOUNTING POLICIES
(CONTINUED)**

1.13 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.

1.14 GOVERNMENT GRANTS

Government grants related to income comprise research and development grants and other government grants which are not related to assets. They are presented in the balance sheet as deferred income and released as other income in the statement of comprehensive income in the periods necessary to match them with the related costs which they are intended to compensate.

Government grants are recognised in other income only when there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received or will not need to be repaid.

1.15 DIVIDENDS

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

**Notes to the financial statements
For the Year Ended 31 December 2019**

**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.

The preparation of financial statements in conformity with FRS 101 requires management to make estimates and judgements in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expense. Estimates and judgements are based on historical experience and management's best knowledge of the amount. Due to the inherent uncertainty in making estimates and judgements, actual results in future periods may be based on amounts which differ from those estimates.

Critical judgements in applying accounting policies

The following is a critical judgement that has been made in the process of applying the company's accounting policies, apart from those involving estimations, that had the most significant effect on the financial statements.

Accounting for contributions to multi-employer defined benefit pension schemes

Certain of the company's employees are members of group multi-employer defined benefit pension schemes and the company pays contributions to those schemes in respect of those employees.

As the company is unable to identify its share of the assets and liabilities of the group defined benefit schemes, it accounts for contributions payable as if they were to a defined contribution pension scheme, with the amounts payable charged to the statement of comprehensive, as outlined in Note 23.

Critical assumptions and key sources of estimation uncertainty

The following areas are the critical assumptions concerning the future and the key sources of estimation uncertainty in the reporting period. These areas may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 15 for the carrying amount of the tangible fixed assets and Note 1.4 for the useful economic lives for each class of assets.

Impairment of debtors

The company make an estimate of the recoverable value of debtors. When assessing impairment of debtors, management considers factors including the ageing profile of debtors and historical experience. See Note 17 for the carrying amount of debtors.

ARRIVA DURHAM COUNTY LIMITED

Notes to the financial statements For the Year Ended 31 December 2019

3. GENERAL INFORMATION

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

The registered company number is 2404350 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

4. TURNOVER

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

All turnover arose within the United Kingdom.

5. OTHER OPERATING INCOME

	2019 £000	2018 £000
Rent received	15	-
Government grants receivable	150	-
Other operating income	208	107
	<u>373</u>	<u>107</u>

6. OPERATING PROFIT

The operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	3,650	3,375
(Profit) / loss on disposal of tangible fixed assets	(2)	4
Amortisation of intangible assets	-	135
Cost of stocks recognised as an expense	10,069	10,119
Lease expenses*		
- other lease expenses	-	256
	<u>-</u>	<u>256</u>

During the year, no director received any emoluments (2018 - £NIL).

* There are no comparative expenses related to short-term leases accounted in accordance with IFRS 16. Other lease expenses in the year ended 31 December 2018 represent the total lease expense recognised in accordance with IAS 17. See Note 26 for the impact of adoption of IFRS 16.

ARRIVA DURHAM COUNTY LIMITED

Notes to the financial statements For the Year Ended 31 December 2019

7. AUDITORS' REMUNERATION

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

	2019 £000	2018 £000
Fees for the audit of the company	14	14

8. STAFF COSTS

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	18,665	18,576
Social security costs	1,558	1,520
Other pension costs (Note 23)	657	309
	20,880	20,405

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

	2019 No.	2018 No.
Drivers	715	714
Engineers	65	65
Administrative	33	33
	813	812

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000	2018 £000
Interest receivable from group undertakings	99	64
	99	64

ARRIVA DURHAM COUNTY LIMITED

Notes to the financial statements For the Year Ended 31 December 2019

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £000	2018 £000
Interest payable to group undertakings	3	4
Interest on lease liabilities	44	-
	<u>47</u>	<u>4</u>

11. TAX ON PROFIT

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	384	799
Adjustments in respect of prior years	-	660
	<u>384</u>	<u>1,459</u>
Total current tax charge	<u>384</u>	<u>1,459</u>
Deferred tax		
Origination and reversal of timing differences	(21)	88
Adjustments in respect of prior years	(13)	(560)
Total deferred tax credit (Note 21)	<u>(34)</u>	<u>(472)</u>
Taxation charge on profit	<u>350</u>	<u>987</u>

Notes to the financial statements
For the Year Ended 31 December 2019

11. TAX ON PROFIT (CONTINUED)**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	1,836	4,429
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	349	842
Effects of:		
Non-allowable amortisation on intangible fixed assets	-	25
Adjustments to tax charge in respect of previous periods	(13)	99
Depreciation in respect of ineligible assets	11	31
Impact of rate change on deferred tax	3	(10)
Total tax charge for the year	350	987

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

ARRIVA DURHAM COUNTY LIMITED

Notes to the financial statements For the Year Ended 31 December 2019

12. DIVIDENDS

	2019 £000	2018 £000
Dividends paid on ordinary shares	6,000	-
	<u>6,000</u>	<u>-</u>

13. GOODWILL

	£000
Cost	
At 1 January 2019 & 31 December 2019	<u>2,653</u>
Accumulated amortisation	
At 1 January 2019 & 31 December 2019	<u>2,653</u>
Net Book Value	
At 31 December 2019 & 31 December 2018	<u>-</u>

14. INTANGIBLE ASSETS

	Licences £000
Cost	
At 1 January 2019	<u>1,459</u>
At 31 December 2019	<u>1,459</u>
Accumulated amortisation	
At 1 January 2019	<u>1,459</u>
At 31 December 2019	<u>1,459</u>
Net book value	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>-</u>

ARRIVA DURHAM COUNTY LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2019**

15. TANGIBLE FIXED ASSETS

	Freehold property £000	Leasehold Property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
COST OR VALUATION					
At 1 January 2019	4,600	-	2,289	33,763	40,652
Adoption of IFRS 16 (Note 26)	-	2,278	54	-	2,332
At 1 January 2019 (adjusted balance)	4,600	2,278	2,343	33,763	42,984
Additions	33	-	1,134	508	1,675
Disposals	-	-	(864)	(629)	(1,493)
At 31 December 2019	4,633	2,278	2,613	33,642	43,166
ACCUMULATED DEPRECIATION					
At 1 January 2019	1,187	-	1,959	11,296	14,442
Charge for the year	191	204	264	2,991	3,650
Disposals	-	-	(864)	(357)	(1,221)
At 31 December 2019	1,378	204	1,359	13,930	16,871
NET BOOK VALUE					
At 31 December 2019	3,255	2,074	1,254	19,712	26,295
At 31 December 2018	3,413	-	330	22,467	26,210

ARRIVA DURHAM COUNTY LIMITED

Notes to the financial statements For the Year Ended 31 December 2019

15. TANGIBLE ASSETS (continued)

Information on right-of-use lease assets included within tangible assets is provided in the following table:

	Leasehold Property £000	Plant, machinery, fixtures and motor vehicles £000	Total £000
Right-of-use assets			
Cost			
At 1 January 2019 (on adoption)	2,278	54	2,332
Additions	-	10	10
At 31 December 2019	<u>2,278</u>	<u>64</u>	<u>2,342</u>
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	204	27	231
At 31 December 2019	<u>204</u>	<u>27</u>	<u>231</u>
Net book value			
At 31 December 2019	<u>2,074</u>	<u>37</u>	<u>2,111</u>

16. STOCKS

	2019 £000	2018 £000
Raw materials and consumables	353	367
	<u>353</u>	<u>367</u>

ARRIVA DURHAM COUNTY LIMITED

Notes to the financial statements For the Year Ended 31 December 2019

17. DEBTORS

	2019 £000	2018 £000
Amounts falling due after more than one year		
Derivative financial instruments (Note 20)	112	290
	<u>112</u>	<u>290</u>
	2019 £000	2018 £000
Amounts falling due within one year		
Trade debtors	84	-
Amounts owed by group undertakings	9,736	13,371
Other debtors	570	834
Prepayments and accrued income	1,302	257
Derivative financial instruments (Note 20)	332	232
	<u>12,024</u>	<u>14,694</u>

18. CREDITORS: Amounts falling due within one year

	2019 £000	2018 £000
Lease liabilities	202	-
Amounts owed to group undertakings	2,215	4,333
Corporation tax	384	799
Other creditors	18	54
Accruals and deferred income	2,999	691
Derivative financial instruments (Note 20)	130	260
	<u>5,948</u>	<u>6,137</u>

ARRIVA DURHAM COUNTY LIMITED

Notes to the financial statements For the Year Ended 31 December 2019

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

	2019 £000	2018 £000
Lease liabilities	1,924	-
Derivative financial instruments (Note 20)	134	250
	<u>2,058</u>	<u>250</u>

Lease liabilities falling due after more than one year include liabilities of £1,249,000 (2018: £nil) falling due after more than five years.

20. 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 (2018: £Nil).

The amounts recognised within the balance sheet are as follows:

	2019 £000	2018 £000
Debtors : Amounts falling due more than one year (Note 17)	112	290
Debtors : Amounts falling due within one year (Note 17)	332	232
Creditors : Amounts falling due within one year (Note 18)	(130)	(260)
Creditors : Amounts falling due more than one year (Note 19)	(134)	(250)
	<u>180</u>	<u>12</u>

ARRIVA DURHAM COUNTY LIMITED

Notes to the financial statements For the Year Ended 31 December 2019

21. DEFERRED TAX

	2019 £000	2018 £000
At 1 January	1,250	1,778
Credited to profit for the financial year (Note 11)	(34)	(472)
Charged / (credited) to other comprehensive income	29	(56)
At 31 December	1,245	1,250

The deferred tax liability is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	1,214	1,248
Derivative financial instruments	31	2
	1,245	1,250

22. CALLED UP SHARE CAPITAL

	2019 £	2018 £
Authorised		
1,000,000 Ordinary shares of £1 each (2018: 1,000,000)	1,000,000	1,000,000
Allotted, called up and fully paid		
1,001 Ordinary shares of £1 each	1,001	1,001

23. PENSION COMMITMENTS

At 31 December 2019 the UK intermediate parent company, Arriva plc, operated defined benefit pension schemes and a contract based retirement benefit scheme providing benefits to certain employees within Arriva Durham County 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.

**Notes to the financial statements
For the Year Ended 31 December 2019**

23. PENSION COMMITMENTS (CONTINUED)

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.

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.

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 2019. 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 £657,000 (2018: £309,000).

24. COMMITMENTS UNDER OPERATING LEASES

Prior to the adoption of IFRS 16, the company had future minimum lease payments under noncancellable operating leases at 31 December 2018 as follows:

	2019 £000	2018 £000
Not later than 1 year	-	285
Later than 1 year and not later than 5 years	-	844
Total	-	1,129

ARRIVA DURHAM COUNTY LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2019**

25. 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 the company. 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 the company.

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.

**Notes to the financial statements
For the Year Ended 31 December 2019**

26. IMPACT OF ADOPTION OF IFRS 16

On 1 January 2019 the company adopted IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the Standard recognised on that date.

On transition, the company recognised an additional £2,332,000 of right-of-use assets and £2,326,000 of lease liabilities. The difference represents an increase due to associated prepayments at 31 December 2018.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 1.8%.

The company has applied the following practical expedients on transition to IFRS 16 for existing lease contracts previously classified as operating leases under IAS 17:

- to not reassess whether a contract is, or contains, a lease at the date of initial application to all leases which previously qualified as a lease under the provisions of IAS 17 and IFRS IC 4;
- to account for leases as short term where the lease term ends within 12 months of initial application; and
- initial direct costs have been excluded from the measurement of the right-of-use asset on initial application

	£000
Operating lease commitment as at 31 December 2018	1,129
Additional lease commitments identified on transition to IFRS16	1,520
Recognition exemptions:	
- Short term leases	(36)
Effect from consideration of termination and extension options	19
Effect from discounting	(306)
Lease liabilities as at 1 January 2019	2,326
Prepaid lease expenses as at 31 December 2018	6
Right-of-use assets as at 1 January 2019	2,332

**Notes to the financial statements
For the Year Ended 31 December 2019**

27. POST BALANCE SHEET EVENTS

As a public transport operator, the Arriva group has been significantly impacted by the Covid-19 coronavirus pandemic, which is a non-adjusting post balance sheet event, with a resulting impact on passengers, colleagues, and other business stakeholders.

The Arriva group has and continues to work closely with both local and national government bodies and transport authorities on support measures to ensure continuation of critical transportation services during the pandemic. The company has been working with local authorities to increase services closer to pre pandemic service levels, to ensure a reduced risk of overcrowding following the reopening of major sectors of the economy. The company will seek to maintain maintain its services at or close to pre pandemic levels, supported by continued use of available CBSSG Restart funding.

Impairment charges may need to be recognised in the company's financial statements for the year ended 31 December 2020 on certain of the company's fixed assets, due to the impact of the pandemic on the company's financial projections. The value of the potential impairments cannot be quantified at this time, as the financial projections and associated impairment reviews have not yet been finalised.