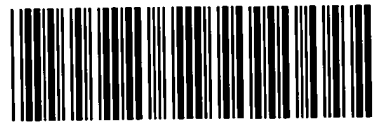


**ARRIVA DURHAM COUNTY LIMITED**

**Annual report and financial statements**

**For the Year Ended 31 December 2017**

TUESDAY



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25/09/2018  
COMPANIES HOUSE



<b>ARRIVA DURHAM COUNTY LIMITED</b>
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**Company Information**

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<b>Directors</b>	N P Featham D Cocker N R Knox R Johnston T R Large
<b>Company secretary</b>	L Edwards
<b>Registered number</b>	2404350
<b>Registered office</b>	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ



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**ARRIVA DURHAM COUNTY LIMITED**

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**Contents**

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	Page
<b>Strategic report</b>	1
<b>Directors' report</b>	2 - 3
<b>Independent auditors' report</b>	4 - 6
<b>Statement of comprehensive income</b>	7
<b>Balance sheet</b>	8
<b>Statement of changes in equity</b>	9 - 10
<b>Notes to the financial statements</b>	11 - 26



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**ARRIVA DURHAM COUNTY LIMITED**

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**Strategic report  
For the Year Ended 31 December 2017**

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The directors present their Strategic report for the year ended 31 December 2017.

**PRINCIPAL ACTIVITIES**

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

**REVIEW OF BUSINESS**

2017 has been another satisfactory year despite difficult trading conditions. The company's statement of comprehensive income on page 7 shows a profit on ordinary activities before taxation of £5,246,000 (2016: £5,459,000), the reduction due to a reduction in passenger numbers and turnover during 2017.

As at the balance sheet date the company had net assets of £30,760,000 (2016: £26,012,000). This increase is due to the profit for the year and an increase in fair value of derivative financial instruments.

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

**PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to local and national competition and factors which would cause a decline in the market. Further discussion of these risks and uncertainties in the context of the group as a whole, is provided in the annual report of Arriva plc which does not form part of this report.


**FUTURE DEVELOPMENTS**

Investment in new vehicles and refurbishing midlife vehicles will continue in 2018.

**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 17 September 2018 and signed by order of the Board.

  
**D Cocker**  
Director



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<b>ARRIVA DURHAM COUNTY LIMITED</b>
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**Directors' report  
For the Year Ended 31 December 2017**

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The directors present their report and the audited financial statements for the year ended 31 December 2017.

**RESULTS AND DIVIDENDS**

The profit for the year amounted to £4,197,000 (2016: £4,403,000).

The company did not pay a dividend during the year (2016: £Nil).

**DIRECTORS**

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

N P Featham

D Cocker

R J Hargrave (resigned 9 January 2017)

L M Davies (appointed 9 January 2017, resigned 15 May 2018)

S W Rowell (appointed 9 January 2017, resigned 25 August 2018)

N R Knox (appointed 8 February 2017)

R Johnston (appointed 21 March 2017)

T R Large (appointed 1 September 2017)

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

**EMPLOYEE INVOLVEMENT**

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

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

The company has, subject to the restraints of commercial confidentiality, continued its policy of employee involvement, by making information available to employees on a regular basis regarding recent and probable future developments and business activities.

**DISABLED EMPLOYEES**

The company continues to give full and fair consideration to applications for employment by disabled persons, having regard to their respective aptitudes and abilities. The company's policy includes, where applicable, the continued employment of those who may become disabled during their employment.

**MATTERS COVERED IN THE STRATEGIC REPORT**

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



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**ARRIVA DURHAM COUNTY LIMITED**

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**Directors' report  
For the Year Ended 31 December 2017**

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**DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**DISCLOSURE OF INFORMATION TO AUDITORS**

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board on 17 September 2018 and signed by order of the Board.



**D Cocker**  
Director



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

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**Report on the audit of the financial statements**

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**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 2017 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 2017; 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.

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**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.

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**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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

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**Reporting on other information**

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

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

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

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

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 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 set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

*Auditors' responsibilities for the audit of the financial statements*

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

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



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

*Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

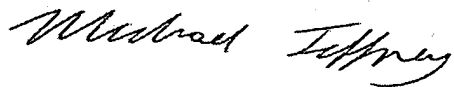
**Other required reporting**

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



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

17 September 2018



**ARRIVA DURHAM COUNTY LIMITED**

**Statement of comprehensive income  
For the Year Ended 31 December 2017**

	Note	2017 £000	2016 £000
Turnover	4	44,147	44,644
Cost of sales		(32,723)	(33,000)
<b>Gross profit</b>		<b>11,424</b>	<b>11,644</b>
Administrative expenses		(6,292)	(6,289)
Other operating income	5	112	104
<b>Operating profit</b>	6	<b>5,244</b>	<b>5,459</b>
Interest receivable and similar income	9	2	-
<b>Profit on ordinary activities before taxation</b>		<b>5,246</b>	<b>5,459</b>
Tax on profit on ordinary activities	10	(1,049)	(1,056)
<b>Profit for the financial year</b>		<b>4,197</b>	<b>4,403</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Changes in market value of cash flow hedges	18	664	3,198
Deferred tax attributable to changes in market value of cash flow hedges (Note 19)		(113)	(579)
		551	2,619
<b>Total comprehensive income for the financial year</b>		<b>4,748</b>	<b>7,022</b>

The notes on pages 11 to 26 form part of these financial statements.



**ARRIVA DURHAM COUNTY LIMITED**  
Registered number: 2404350

**Balance sheet**  
**As at 31 December 2017**

	Note	2017 £000	2016 £000
<b>Fixed assets</b>			
Goodwill	11	-	-
Intangible assets	12	135	268
Tangible assets	13	27,232	30,904
		<u>27,367</u>	<u>31,172</u>
<b>Current assets</b>			
Stocks	14	388	384
Debtors: Amounts due more than one year	15	461	367
Debtors	15	18,436	10,693
		<u>19,285</u>	<u>11,444</u>
Creditors: Amounts falling due within one year	16	(13,916)	(14,439)
<b>Net current assets / (liabilities)</b>		<u>5,369</u>	<u>(2,995)</u>
<b>Total assets less current liabilities</b>		<u>32,736</u>	<u>28,177</u>
Creditors: Amounts due more than one year	17	(198)	(490)
<b>Provisions for liabilities</b>			
Deferred tax (Note 19)		(1,778)	(1,675)
		<u>(1,778)</u>	<u>(1,675)</u>
<b>Net assets</b>		<u>30,760</u>	<u>26,012</u>
<b>Capital and reserves</b>			
Called up share capital	20	1	1
Share premium account		13,999	13,999
Cash flow hedge reserve		287	(264)
Profit and loss account		16,473	12,276
<b>Total shareholders' funds</b>		<u>30,760</u>	<u>26,012</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 September 2018.



**D Cocker**  
Director

The notes on pages 11 to 26 form part of these financial statements.



**ARRIVA DURHAM COUNTY LIMITED**

**Statement of changes in equity  
For the Year Ended 31 December 2017**

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Cash flow hedge reserve £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholders' funds £000</b>
At 1 January 2017	1	13,999	(264)	12,276	26,012
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	4,197	4,197
Changes in market value of cash flow hedges	-	-	664	-	664
Deferred tax attributable to changes in market value of cash flow hedges	-	-	(113)	-	(113)
<b>Other comprehensive income for the year</b>	-	-	551	-	551
<b>Total comprehensive income for the year</b>	-	-	551	4,197	4,748
<b>At 31 December 2017</b>	<b>1</b>	<b>13,999</b>	<b>287</b>	<b>16,473</b>	<b>30,760</b>

The note on pages 11 to 26 form part of these financial statements.



**ARRIVA DURHAM COUNTY LIMITED**

**Statement of changes in equity  
For the Year Ended 31 December 2016**

	<b>Called up share capital £000</b>	<b>Share premium £000</b>	<b>Cash flow hedge reserve £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholders' funds £000</b>
At 1 January 2016	1	-	(2,883)	7,873	4,991
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	4,403	4,403
Changes in market value of cash flow hedges	-	-	3,198	-	3,198
Deferred tax attributable to changes in market value of cash flow hedges	-	-	(579)	-	(579)
<b>Other comprehensive income for the year</b>	-	-	2,619	-	2,619
<b>Total comprehensive income for the year</b>	-	-	2,619	4,403	7,022
Shares issued during the year	-	13,999	-	-	13,999
<b>At 31 December 2016</b>	<b>1</b>	<b>13,999</b>	<b>(264)</b>	<b>12,276</b>	<b>26,012</b>

The notes on pages 11 to 26 form part of these financial statements.



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<b>ARRIVA DURHAM COUNTY LIMITED</b>
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**Notes to the financial statements  
For the Year Ended 31 December 2017**

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**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 the revaluation of derivative financial assets and financial liabilities measured at fair value through cash flow hedge reserves, and in accordance with the Companies Act 2006.

**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.

**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.



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**ARRIVA DURHAM COUNTY LIMITED**

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**Notes to the financial statements  
For the Year Ended 31 December 2017**

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**1. ACCOUNTING POLICIES  
(continued)**

**1.4 TANGIBLE FIXED ASSETS**

Tangible fixed 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.

Depreciation is provided on the following bases:

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

**1.5 LEASING AND HIRE PURCHASE COMMITMENTS**

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

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

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.

**1.6 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.



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## ARRIVA DURHAM COUNTY LIMITED

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### Notes to the financial statements For the Year Ended 31 December 2017

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.7 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
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The company is a qualifying entity for the purpose of FRS 101 and Note 23 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 2017**

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**1. ACCOUNTING POLICIES  
(continued)**

**1.8 CURRENT AND DEFERRED TAXATION**

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

The current taxation payable is based on the taxable profit for the year. Taxable profit can differ from profit 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 for current taxation 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 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 2017**

**1. ACCOUNTING POLICIES  
(continued)**

**1.9 DEBTORS**

Trade and other debtors are initially measured at fair value. Receivables for which there are substantial objective indications of an impairment are adjusted appropriately.

Trade and other debtors are considered to be impaired when there is objective evidence that the estimated future cash flows associated with the asset have been affected. In addition, certain trade and other debtors that are not considered to be individually impaired, may be assessed for impairment on a collective basis.

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

**1.10 CREDITORS**

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

**1.11 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.



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<b>ARRIVA DURHAM COUNTY LIMITED</b>
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**Notes to the financial statements  
For the Year Ended 31 December 2017**

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**1. ACCOUNTING POLICIES  
(continued)**

**1.12 PENSIONS**

During the year Arriva plc, the UK intermediate parent 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 statement of comprehensive income in the period in which they fall due. Contributions payable under the contract based scheme are charged to the statement of comprehensive income as they arise.

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

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

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

**2.1 Useful economic lives of tangible fixed assets**

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 13 for the carrying amount of the tangible fixed assets and Note 1.4 for the useful economic lives for each class of assets.

**2.2 Stock provisioning**

The recoverability of the cost of stock is considered and when calculating a stock provision, management consider the nature and condition of the stock as well as applying assumptions around anticipated future usage of the stock or recoverability. See Note 14 for the carrying amount of the stock.

**2.3 Impairment of debtors**

The company make an estimate of the recoverable value of the trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. See Note 15 for the carrying amount of debtors.

**2.4 Insurance provisions**

The company makes a provision for the amounts payable under insurance incidents as presented under accruals and deferred income, see Note 16 for the carrying amount of accruals and deferred income included within creditors. The estimation of the insurance provision is based on an assessment of the expected settlement on known claims based on the experience of insurance claims handlers.



# ARRIVA DURHAM COUNTY LIMITED

## Notes to the financial statements For the Year Ended 31 December 2017

### 3. GENERAL INFORMATION

The company is a private limited company, incorporated and domiciled in 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, 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

	2017 £000	2016 £000
Other operating income	112	104
	<u>112</u>	<u>104</u>

### 6. OPERATING PROFIT

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets - owned	3,431	3,333
Amortisation of intangible assets	133	133
Cost of stocks recognised as an expense	5,279	5,640
<b>Operating lease rentals</b>		
- land and buildings	288	268
	<u>288</u>	<u>268</u>

During the year, no director received any emoluments (2016 - £NIL).

During the year the company made a loss on disposal of tangible fixed assets of £1,000 (2016 : loss of £14,000).

### 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:

	2017 £000	2016 £000
Fees for the audit of the company	12	29
	<u>12</u>	<u>29</u>



# ARRIVA DURHAM COUNTY LIMITED

## Notes to the financial statements For the Year Ended 31 December 2017

### 8. STAFF COSTS

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	17,723	17,897
Social security costs	1,481	1,483
Other pension costs (Note 21)	257	274
	<u>19,461</u>	<u>19,654</u>

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

	2017 No.	2016 No.
Drivers	715	721
Engineers	64	72
Administrative	33	36
	<u>812</u>	<u>829</u>

### 9. INTEREST RECEIVABLE

	2017 £000	2016 £000
Interest receivable from group undertakings	2	-
	<u>2</u>	<u>-</u>



# ARRIVA DURHAM COUNTY LIMITED

## Notes to the financial statements For the Year Ended 31 December 2017

### 10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2017 £000	2016 £000
<b>Corporation tax</b>		
Current tax on profits for the year	1,056	974
Adjustments in respect of prior years	3	34
<b>Total current tax</b>	<b>1,059</b>	<b>1,008</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	13	58
Adjustments in respect of prior years	(23)	(10)
<b>Total deferred tax (Note 19)</b>	<b>(10)</b>	<b>48</b>
<b>Taxation charge on profit on ordinary activities</b>	<b>1,049</b>	<b>1,056</b>

### FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2016 - *lower than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	5,246	5,459
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	1,010	1,092
<b>Effects of:</b>		
Non-allowable amortisation of intangible fixed assets	26	26
Adjustments to tax charge in respect of prior years	(20)	24
Depreciation in respect of ineligible assets	35	34
Impact of rate change on deferred tax	(2)	(120)
<b>Total tax charge for the year</b>	<b>1,049</b>	<b>1,056</b>



# ARRIVA DURHAM COUNTY LIMITED

## Notes to the financial statements For the Year Ended 31 December 2017

### 10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

#### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

### 11. GOODWILL

	£000
<b>Cost</b>	
At 1 January 2017 & 31 December 2017	2,653
<b>Accumulated amortisation</b>	
At 1 January 2017 & 31 December 2017	2,653
<b>Net Book Value</b>	
At 31 December 2017 & 31 December 2016	-

### 12. INTANGIBLE ASSETS

	Licences £000
<b>Cost</b>	
At 1 January 2017	1,459
<b>At 31 December 2017</b>	1,459
<b>Accumulated amortisation</b>	
At 1 January 2017	1,191
Charge for the year	133
<b>At 31 December 2017</b>	1,324
<b>Net book value</b>	
At 31 December 2017	135
At 31 December 2016	268



**ARRIVA DURHAM COUNTY LIMITED**

**Notes to the financial statements  
For the Year Ended 31 December 2017**

**13. TANGIBLE FIXED ASSETS**

	Freehold property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
<b>Cost</b>				
At 1 January 2017	4,574	2,519	33,319	40,412
Additions	17	56	714	787
Disposals	(32)	(6)	(2,896)	(2,934)
<b>At 31 December 2017</b>	<b>4,559</b>	<b>2,569</b>	<b>31,137</b>	<b>38,265</b>
<b>Accumulated depreciation</b>				
At 1 January 2017	854	1,826	6,828	9,508
Charge for the year	180	261	2,990	3,431
Disposals	(32)	(6)	(1,868)	(1,906)
<b>At 31 December 2017</b>	<b>1,002</b>	<b>2,081</b>	<b>7,950</b>	<b>11,033</b>
<b>Net book value</b>				
<b>At 31 December 2017</b>	<b>3,557</b>	<b>488</b>	<b>23,187</b>	<b>27,232</b>
<i>At 31 December 2016</i>	<i>3,720</i>	<i>693</i>	<i>26,491</i>	<i>30,904</i>

**14. STOCKS**

	2017 £000	2016 £000
Raw materials and consumables	388	384
	<b>388</b>	<b>384</b>



**ARRIVA DURHAM COUNTY LIMITED**

**Notes to the financial statements  
For the Year Ended 31 December 2017**

**15. DEBTORS**

	2017 £000	2016 £000
<b>Due after more than one year</b>		
Derivative financial instruments (Note 18)	461	367
	<u>461</u>	<u>367</u>
	2017 £000	2016 £000
Amounts owed by group undertakings	17,355	9,687
Other debtors	642	658
Prepayments and accrued income	237	250
Derivative financial instruments (Note 18)	202	98
	<u>18,436</u>	<u>10,693</u>

**16. CREDITORS: Amounts falling due within one year**

	2017 £000	2016 £000
Amounts owed to group undertakings	10,874	11,162
Corporation tax	1,056	974
Other creditors	36	40
Accruals and deferred income	1,710	1,771
Derivative financial instruments (Note 18)	240	492
	<u>13,916</u>	<u>14,439</u>

**17. CREDITORS: Amounts falling due after more than one year**

	2017 £000	2016 £000
Accruals and deferred income	121	199
Derivative financial instruments (Note 18)	77	291
	<u>198</u>	<u>490</u>



# ARRIVA DURHAM COUNTY LIMITED

## Notes to the financial statements For the Year Ended 31 December 2017

### 18. 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 (2016: £Nil).

The amounts recognised within the balance sheet are as follows:

	2017 £000	2016 £000
Debtors : Amounts falling due more than one year	461	367
Debtors : Amounts falling due within one year	202	98
Creditors : Amounts falling due within one year	(240)	(492)
Creditors : Amounts falling due more than one year	(77)	(291)
	<u>346</u>	<u>(318)</u>

### 19. DEFERRED TAX LIABILITY

	2017 £000	2016 £000
At 1 January	1,675	1,048
(Credited) / charged to comprehensive income	(10)	48
Charged to other comprehensive income	113	579
At 31 December	<u>1,778</u>	<u>1,675</u>



# ARRIVA DURHAM COUNTY LIMITED

## Notes to the financial statements For the Year Ended 31 December 2017

### 19. DEFERRED TAX (continued)

The deferred tax liability is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	1,720	1,729
Derivative financial instruments	58	(54)
	<u>1,778</u>	<u>1,675</u>

### 20. CALLED UP SHARE CAPITAL

	2017 £	2016 £
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each (2016: 1,000,000)	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
1,001 Ordinary shares of £1 each	<u>1,001</u>	<u>1,001</u>

### 21. PENSION COMMITMENTS

At 31 December 2017 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.

#### 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.



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**ARRIVA DURHAM COUNTY LIMITED**

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**Notes to the financial statements  
For the Year Ended 31 December 2017**

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**21. PENSION COMMITMENTS (CONTINUED)****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 2017. 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 £257,000 (2016: £274,000).

**22. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Not later than 1 year	<b>432</b>	<b>448</b>
Later than 1 year and not later than 5 years	<b>398</b>	<b>464</b>
<b>Total</b>	<b>830</b>	<b>912</b>



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<b>ARRIVA DURHAM COUNTY LIMITED</b>
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**Notes to the financial statements  
For the Year Ended 31 December 2017**

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

The immediate parent company is Arriva UK Bus Holdings Limited (formerly Arriva (2007) Limited).

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

Deutsche Bahn AG is the largest and smallest group to consolidate the financial statements of Arriva Durham County Limited.

Information on Arriva Durham County Limited can be obtained from their registered address 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

Transactions with other companies in the Deutsche Bahn Group are not specifically disclosed as the company has taken advantage of the exemption available under paragraph 17 of IAS 24 'Related party disclosures' for wholly-owned subsidiaries.