Registered number: 06544272

CENTREBUS HOLDINGS LIMITED

Annual report and financial statements

For the Year Ended 31 December 2022

Company Information

Directors	J M Perkin P Cummins
Registered number	06544272
Registered office	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
Independent auditors	PricewaterhouseCoopers LLP Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

Contents

Directors' report
For the Year Ended 31 December 2022

The directors present their report and the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principle activity of the company is that of a bus service operator.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £23,000 *(2021: restated loss of £2,251,000)*.

At the balance sheet date, the company had net liabilities of £1,386,000 (2021: £1,464,000 restated). The decrease in net liabilities reflects the loss for the financial year and the favourable fair value movements in the company's derivative financial instruments.

The company did not pay a dividend (2021: £nil) during the financial year.

DIRECTORS

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

S W Mathieson (resigned 1 February 2023)
J M Perkin
K L O'Leary (resigned 30 November 2022)
A Godley (resigned 14 July 2023)
P Cummins (appointed 1 December 2022)
G J Smith (appointed 9 February 2023, resigned 10 November 2023)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Deutsche Bahn AG is the principal source of funding for Arriva plc and its subsidiaries. The Arriva group's financial risks, including liquidity risks and those arising from interest rates, commodity prices and currency fluctuations are managed in accordance with the Deutsche Bahn AG treasury policy. For further details relating to financial risk management please refer to the Deutsche Bahn AG 2022 Integrated 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 as patronage growth recovers beyond the pandemic.

The company is predominantly supported by funding via the Bus Service Operators Grant Plus (BSOG+) scheme. In addition, the company is further supported by the local transport authority via the Bus Service Improvement Plan Plus (BSIP+). Both BSOG+ and BSIP+ will continue to run into 2025. Further funding is also provided through the £2 fare cap mechanism, which has been further extended to December 2024.

On 19 October 2023, Deutsche Bahn AG ('DB') announced an agreement had been signed under which Arriva plc, the company's intermediate parent company, would be sold to I-Squared Capital. The sale is expected to complete in the first half of 2024, following which the company would cease to be part of the DB Group. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to continue to provide funding to the company.

FUTURE DEVELPOMENTS (CONTINUED)

Currently the company voluntarily participates in a group cash pooling and credit facility arrangement operated by its ultimate parent, DB. This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies that the company has been party to for several years, and the arrangement is expected to remain in place up to the change in control. Under the arrangement substantially all the company's cash balances are swept into the group cash pool at the end of each business day.

At the balance sheet date the company has net current liabilities of £1,110,000 (2021: £1,298,000 restated) and is currently dependent on cash and the DB credit facility for daily access to the cash flows required to operate and to support the going concern assumption. 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 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 DB 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 has a unilateral right to terminate its participation in the DB group cash pooling arrangement by giving one month's notice to DB.

The directors also acknowledge there is no guarantee that a formal commitment will be in place for the DB credit facility. This also indicates the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. In completing their going concern assessment, the directors have also considered a severe but plausible downside scenario, along with associated management actions that would be taken to mitigate the impacts under the scenario on the company's cash and DB credit facility position. Actions management might need to implement include reducing services and delaying or curtailing discretionary operating or capital expenditures. If these actions were insufficient to allow cash requirements to be funded from within the current credit facility, additional funding might be required from DB.

The extension of government funding, including BSOG+ and BSIP+ funding to 2025 and the £2 fare cap funding to December 2024, give the directors confidence in continued future government support available to the sector and to the company, with continued government support committed to throughout the going concern assessment period.

Outcome of directors' going concern assessment

The directors acknowledge that the uncertainty regarding immediate access to funds placed with DB prior to the expected change in control, together with the uncertainty over replacement funding arrangements from the point of expected change in control onwards, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 or credit facility balances with DB, and that appropriate funding arrangements will be in place post the acquisition of the Arriva group by I-Squared Capital and therefore remain confident of the company's ability to continue to operate and to discharge its liabilities as they fall due 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.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company has made qualifying third-party indemnity provisions for the benefit of its directors as part of a group wide insurance policy. The qualifying third-party indemnity provisions (as defined in Section 234 of the Companies Act 2006) were in force during the year ended 31 December 2022 and continue to remain in force at the reporting date.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are provided in Note 27 to the financial statements.

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing 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 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, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom 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 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 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 also 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.

Directors' report (continued)
For the Year Ended 31 December 2022

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 directors are 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.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The directors' have also taken advantage of the small company exemptions provided by section 414B of the Companies Act 2006 and have not prepared a strategic report.

This report was approved by the board on 15 February 2024 and signed on its behalf.

J M Perkin
Director

Independent auditors' report to the members of Centrebus Holdings Limited

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, Centrebus Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2022; 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 qualified opinion

As explained in note 1.16 of the financial statements, the Company's average monthly number of employees disclosed in note 8 is based on the number of persons that operationally provide services to the Company. This is since staff perform work for entities, with which they do not have employment contracts, within the same group as the entity with which they have their employment contract. Therefore, it is not possible to determine what the number of employees is based on contracts. As such, the financial statements do not include the average monthly number of employees based on persons employed under contracts of service by the Company as required in Section 411 (1) and Section 411 (4)(a) of the Companies Act 2006. We are unable to quantify the magnitude of the difference between management's disclosure and the disclosure that would be determined if the Companies Act requirements were followed.

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 qualified 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

Without further modifying our opinion on the financial statements, 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 and credit facility arrangement for access to the cash necessary for the day-to-day running of the company and to support the going concern assertion. The company does not have 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. Furthermore, on 19 October 2023, DB announced an agreement had been signed under which Arriva plc, the company's intermediate parent company, would be sold to I-Squared Capital. The sale is expected to complete in the first half of 2024, following which the company would cease to be part of the DB Group. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to continue to provide funding to the company. These conditions, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Independent auditors' report to the members of Centrebus Holdings Limited (continued)

Material uncertainty related to going concern (continued)

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2022 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 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.

Independent auditors' report to the members of Centrebus Holdings Limited (continued)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to improve financial results and management bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular, any journal entries posted with unusual account combinations;
- Testing and challenging of assumptions and judgements made by management in making significant accounting estimates;
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations; and
- Review of the director's meeting minutes to identify potential matters impacting the company.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Independent auditors' report to the members of Centrebus Holdings Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

In respect solely of the limitation on our work relating to the quantification of the number of persons employed under contracts of service for this company, described in the Basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the company.

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

- 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Paul Hudson

Paul Hudson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
15 February 2024

Statement of comprehensive income
For the Year Ended 31 December 2022

	Note	2022 £000	Restated 2021 £000
Turnover	4	**3,767**	*2,485*
Cost of sales		**(3,957)**	*(2,948)*
Gross loss		**(190)**	*(463)*
Administrative expenses		**(638)**	*(3,636)*
Other operating income	5	**1,747**	*1,263*
Operating profit/(loss)	6	**919**	*(2,836)*
Interest payable and similar expenses	10	**(84)**	*(12)*
Profit/(loss) before tax		**835**	*(2,848)*
Tax on profit/(loss)	11	**(858)**	*597*
Loss for the financial year		**(23)**	*(2,251)*
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Changes in market value of cash flow hedges	19	**331**	-
Total other comprehensive income		**331**	-
Total comprehensive income/(expense) for the financial year		**308**	*(2,251)*

The notes on pages 13 to 37 form part of these financial statements.

The restated amounts are disclosed in Note 1.1 in the accounting policies.

Balance sheet
As at 31 December 2022

	Note		2022 £000		*Restated 2021 £000*
Fixed assets					
Goodwill	12		**21**		*21*
Current assets					
Stocks	15	**62**		*55*	
Debtors: amounts falling due after more than one year	16	**15**		*-*	
Debtors: amounts falling due within one year	16	**781**		*2,284*	
Cash at bank and in hand		**22**		*13*	
		880		*2,352*	
Creditors: amounts falling due within one year	17	**(1,990)**		*(3,650)*	
Net current liabilities			**(1,110)**		*(1,298)*
Total assets less current liabilities			**(1,089)**		*(1,277)*
Creditors: amounts falling due after more than one year	18		**(121)**		*(105)*
Provisions for liabilities	21		**(176)**		*(82)*
Net liabilities			**(1,386)**		*(1,464)*
Capital and reserves					
Called up share capital	22		**1**		*1*
Cash flow hedge reserve	23		**101**		*-*
Profit and loss account	23		**(1,488)**		*(1,465)*
Total shareholders' deficit			**(1,386)**		*(1,464)*

Balance sheet (continued)
As at 31 December 2022

The company's financial statements set out on pages 9 to 37 have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The restated amounts are disclosed in Note 1.1 in the accounting policies.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 February 2024.

J M Perkin
Director

Statement of changes in equity
For the Year Ended 31 December 2022

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total shareholders' funds/(deficit)
	£000	£000	£000	£000
At 1 January 2021	1	-	786	787
Comprehensive expense for the year (restated)				
Loss for the financial year (restated)	-	-	(2,251)	(2,251)
Total comprehensive expense for the year (restated)	-	-	(2,251)	(2,251)
At 31 December 2021 and 1 January 2022 (restated)	1	-	(1,465)	(1,464)
Comprehensive income for the year				
Loss for the financial year	-	-	(23)	(23)
Changes in market value of cash flow hedges	-	331	-	331
Total comprehensive income for the year	-	331	(23)	308
Transfers to inventory	-	(230)	-	(230)
At 31 December 2022	1	101	(1,488)	(1,386)

The notes on pages 13 to 37 form part of these financial statements.

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 and in accordance with the Companies Act 2006.

The company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

There were no amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 31 December 2022 that have had a material impact on the company's financial statements.

Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

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 as patronage growth recovers beyond the pandemic.

The company is predominantly supported by funding via the Bus Service Operators Grant Plus (BSOG+) scheme. In addition, the company is further supported by the local transport authority via the Bus Service Improvement Plan Plus (BSIP+). Both BSOG+ and BSIP+ will continue to run into 2025. Further funding is also provided through the £2 fare cap mechanism, which has been further extended to December 2024.

On 19 October 2023, Deutsche Bahn AG ('DB') announced an agreement had been signed under which Arriva plc, the company's intermediate parent company, would be sold to I-Squared Capital. The sale is expected to complete in the first half of 2024, following which the company would cease to be part of the DB Group. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to continue to provide funding to the company.

Currently the company voluntarily participates in a group cash pooling and credit facility arrangement operated by its ultimate parent, DB. This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies that the company has been party to for several years, and the arrangement is expected to remain in place up to the change in control. Under the arrangement substantially all the company's cash balances are swept into the group cash pool at the end of each business day.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

GOING GONCERN (CONTINUED)

At the balance sheet date the company has net current liabilities of £1,110,000 (2021: £1,298,000 restated) and is currently dependent on cash and the DB credit facility for daily access to the cash flows required to operate and to support the going concern assumption. 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 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 DB 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 has a unilateral right to terminate its participation in the DB group cash pooling arrangement by giving one month's notice to DB.

The directors also acknowledge there is no guarantee that a formal commitment will be in place for the DB credit facility. This also indicates the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. In completing their going concern assessment, the directors have also considered a severe but plausible downside scenario, along with associated management actions that would be taken to mitigate the impacts under the scenario on the company's cash and DB credit facility position. Actions management might need to implement include reducing services and delaying or curtailing discretionary operating or capital expenditures. If these actions were insufficient to allow cash requirements to be funded from within the current credit facility, additional funding might be required from DB.

The extension of government funding, including BSOG+ and BSIP+ funding to 2025 and the £2 fare cap funding to December 2024, give the directors confidence in continued future government support available to the sector and to the company, with continued government support committed to throughout the going concern assessment period.

Outcome of directors' going concern assessment
The directors acknowledge that the uncertainty regarding immediate access to funds placed with DB prior to the expected change in control, together with the uncertainty over replacement funding arrangements from the point of expected change in control onwards, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 or credit facility balances with DB, and that appropriate funding arrangements will be in place post the acquisition of the Arriva group by I-Squared Capital and therefore remain confident of the company's ability to continue to operate and to discharge its liabilities as they fall due for the foreseeable future.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

GOING GONCERN (CONTINUED)

Outcome of directors' going concern assessment (continued)
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.

RESTATEMENT OF COMPARATIVES
The comparative value for Revenue for the year ended 31 December 2021 has been restated by £288,000 from £2,197,000 to £2,485,000. This is to correct an error in relation to the timing of revenue recognition for a contract held by the company. Accordingly, Prepayments and accrued income within Debtors: due within one year has been restated by £38,000 from £51,000 to £89,000, and the Profit and loss account at 1 January 2021 has been restated by the remaining £250,000.

The comparative value for Other operating income for the year ended 31 December 2021 has been restated by £232,000 from £1,031,000 to £1,263,000. This is to correct the timing of grant recognition relating to fixed assets. Accordingly, Amounts owed by group undertakings within Debtors: due within one year has been restated by £232,000 from £1,157,000 to £1,389,000.

The net impact of these adjustments is to restate the Profit and loss account at 31 December 2021 by £226,000 from a £1,691,000 to £1,465,000 deficit. The tax impact of these adjustments is to decrease the Tax on loss by £44,000 from £641,000 to £597,000 and decrease the tax recoverable from £660,000 to £616,000.

The Loss for the financial year and Total comprehensive expense previously reported of £2,727,000 has been restated by £476,000 to £2,251,000.

1. ACCOUNTING POLICIES (CONTINUED)

1.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- 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 26 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which permits a qualifying entity to apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006.

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".

1. ACCOUNTING POLICIES (CONTINUED)

1.3 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.

1.4 GOODWILL

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

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the business combination acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income. When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date, if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

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

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

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

1.5 TANGIBLE ASSETS

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

1. ACCOUNTING POLICIES (CONTINUED)

1.5 TANGIBLE ASSETS (continued)

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

Depreciation is provided on the following basis:

Leasehold Property	- over the lease term
Plant and machinery	- between 10-33% straight line
Public service vehicles	- straight line up to 15 years
Right-of-use assets	- over the lease term

1.6 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 charges'.

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.

1. ACCOUNTING POLICIES (CONTINUED)

1.7 IMPAIRMENT OF FIXED ASSETS AND GOODWILL

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased..

1.8 INVESTMENTS

Investments held as fixed assets are shown at cost less impairment. Investments are reviewed annually for any indicators of impairment. Where an indicator is identified, an assessment of the investment's recoverable value is made. If the carrying amount exceeds the recoverable amount, an impairment is recognised to write-down the investment to its recoverable amount. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

1.9 STOCKS

Stocks primarily comprise fuel consumable by the company's public service vehicles, valued at the weighted-average of cost price and hedge prices, reflecting basis adjustments for hedged fuel purchases. Other stocks, such as consumable engineering spares, are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost of other stocks is measured on a first-in, first-out basis.

1.10 DEBTORS

Trade and other debtors, including amounts owed by group undertakings, 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.
Allowances for expected credit losses on trade and other debtors are recognised only where they are material.

1.11 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.

Where cash balances are held under cash pooling arrangements operated by the company's ultimate parent, on behalf of the company, such cash balances are disclosed within amounts owed to group undertakings.

1. ACCOUNTING POLICIES (CONTINUED)

1.12 CREDITORS

Trade and other creditors, including amounts owed to group undertakings, are initially stated at fair value and are measured subsequently at amortised cost using the effective interest method.

Accrued expenses are recognised at the point a service is received by the company and released to the Statement of comprehensive income over the period of the service received.

1.13 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 other comprehensive income and are only recognised in the income statement 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. Where a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, that amount is removed from the cash flow hedge reserve and included in the carrying amount of the asset or liability.

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

1.14 GOVERNMENT GRANTS

Government grants related to income comprise government grants which are not related to assets. They are presented in the balance sheet as deferred income and released as other operating 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 operating 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 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.15 CURRENT AND DEFERRED TAXATION (continued)

Deferred taxation is recognised on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary timing differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and when the deferred taxation assets and liabilities relate to taxation levied by the same taxation authority, and the company intends to settle its current taxation assets and liabilities on a net basis.

Deferred tax assets and liabilities are not discounted.

1.16 EMPLOYEE BENEFITS

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans. In some instances employees have contracts of service with another group company. Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received and relates to staff costs for all employees employed in fulfilling the company's operations. In some instances employees have contracts of service with another group company.

The company's average monthly number of employees disclosed in Note 8 is based on the number of persons that operationally provide services to the company. This is since staff perform work for entities, with which they do not have employment contracts, within the same group as the entity with which they have their employment contract. Therefore, it is not possible to determine what the number of employees is based on contracts. As such, the financial statements do not include the average monthly number of employees based on persons employed under contracts of service by the company as required in Section 411 (1) and Section 411 (4)(a) of the Companies Act 2006.

<u>Pensions</u>
The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.17 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

1. ACCOUNTING POLICIES (CONTINUED)

1.17 PROVISIONS FOR LIABILITIES (continued)

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are made, they are charged to the provision carried in the Balance sheet.

1.18 SHARES AND SHARE PREMIUM

Proceeds from the issuance of shares are accounted as equity (forming part of Total shareholders' funds) only to the extent that they include no contractual obligation upon the company to deliver cash or other financial assets to another party (or exchange financial assets or financial liabilities with another party on unfavourable terms). Where this condition is not satisfied, the proceeds of issuance are accounted as financial liabilities, initially measured at fair value and subsequently at amortised cost.

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
There were no judgements made in applying the company's accounting policies that had a significant effect on the financial statements.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment and useful economic lives of tangible assets

The annual depreciation charge for tangible 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.

Where there is an indicator of impairment, management is required to perform an impairment review over tangible fixed assets. The significant increase in market interest rates in the year ended 31 December 2022 is considered by management to be an indicator of impairment. For the purpose of impairment testing, the company is considered a single CGU. The recoverable amount of the tangible fixed assets has been determined as the higher of fair value less costs of disposal and value-in-use. Due to the fact that the company serves as the sole operator of the routes, there is not currently an active market for the public service vehicles. It has therefore not been practicable to determine the fair value less costs of disposal for these assets. The recoverable amount of these asset categories has been determined through reference to the value-in-use. In respect of property, the fair value less costs of disposal can be readily determined and is in excess of the carrying value of the assets. This is with the exception of one property, which has been impaired to ensure that the carrying value is not in excess of fair value.

As the value in use calculated for the CGU as a whole is less than the remaining carrying value of the properties, the public service vehicles have been impaired in full. As a result of the impairment review performed, an impairment of £514,000 (2021: £3,512,000) has been recognised within administrative expenses. The value-in-use for the CGU has been calculated using a discount rate of 7.86% and a long term growth rate of 2.0%. If the discount rates applied to management's value in use calculation at 31 December 2022 were to increase or decrease by 1% this would not have impacted the amount of the impairment recorded. Likewise, an increase or decrease of 0.5% to the long term growth rate applied to forecast cash flows would not have impacted the amount of the impairment recorded The impact of climate change has been assessed and incorporated, where relevant, into the underlying cash flows used as the basis for the value-in-use calculation.

See Note 13 for the carrying amount of the tangible assets and Note 1.5 for the useful economic lives for each class of assets.

Insurance provisions

The company makes a provision for the amounts payable under insurance incidents in Note 21. 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.

Dilapidations provisions

The company makes a provision for future costs of dilapidations in Note 21.

The estimation of the dilapidation provision is based on the directors' best estimate of future dilapidation costs arising from existing contractual obligations.

3. GENERAL INFORMATION

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

The registered company number is 06544272 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

	2022 £000	*Restated 2021 £000*
Government grants receivable	**958**	*1,219*
Miscellaneous income	**5**	*44*
Profit on disposal of tangible fixed assets	**784**	*-*
	1,747	*1,263*

Government grants receivable as previously reported of £987,000 has been restated to £1,219,000. Further information on this restatement is provided in Note 1.1.

6. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	2022 £000	*2021 £000*
Staff costs (Note 8)	**2,459**	*1,783*
Depreciation of tangible fixed assets (Note 13)	**79**	*366*
Impairment of tangible fixed assets (Note 13)	**514**	*3,512*
Expense related to short-term leases	**22**	*-*
Cost of stocks recognised as an expense	**1,136**	*584*

Notes to the financial statements
For the Year Ended 31 December 2022

7. AUDITORS' REMUNERATION

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

	2022 £000	*2021 £000*
Fees for the audit of the company	**36**	*21*

8. STAFF COSTS

Staff costs were as follows:

	2022 £000	*2021 £000*
Wages and salaries	**2,124**	*1,561*
Social security costs	**211**	*132*
Other pension costs (Note 25)	**124**	*90*
	2,459	*1,783*

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

	2022 No.	*2021 No.*
Drivers	**58**	*52*
Engineering & cleaning	**10**	*2*
Administrative	**4**	*2*
	72	*56*

9. DIRECTORS' REMUNERATION

	2022 £000	*2021 £000*
Recharges for directors' qualifying services to the company	**23**	*-*

The directors did not receive any emoluments from the company in the financial year for their directorship (2021: £nil) of the company. The directors received remuneration in respect of all their directorships from Arriva plc. These amounts have been recharged to the company and disclosed above.

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £000	*2021 £000*
Interest payable to group undertakings	**84**	*12*
	84	*12*

11. TAX ON PROFIT/(LOSS)

	2022 £000	*Restated 2021 £000*
Corporation tax		
Current tax for the year	**96**	*(700)*
Adjustments in respect of prior years	**747**	*2*
Total current tax charge/(credit)	**843**	*(698)*
Deferred tax		
Origination and reversal of timing differences	**1,060**	*101*
Adjustment in respect of prior years	**(1,045)**	*-*
Total deferred tax charge (Note 20)	**15**	*101*
Total tax charge/(credit) for the year	**858**	*(597)*

11. TAX ON PROFIT/(LOSS) (CONTINUED)

FACTORS AFFECTING TAX CHARGE/(CREDIT) FOR THE YEAR

The tax assessed for the year is higher than *(2021: lower than)* the standard rate of corporation tax in the UK of 19.0% *(2021: 19.0%)*. The differences are explained below:

	2022 £000	*Restated* *2021* *£000*
Profit/(loss) before tax	**835**	*(2,848)*
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**159**	*(541)*
Effects of:		
Adjustments to tax charge in respect of prior years	**(297)**	*2*
Impact of rate change on deferred tax	**20**	*(4)*
Deferred tax assets not recognised	**976**	-
Non taxable income	**-**	*(54)*
Total tax charge/(credit) for the year	**858**	*(597)*

The Total tax credit for the year as previously reported of £641,000 has been restated to £597,000. Further information on this restatement is provided in Note 1.1.

11. TAX ON PROFIT/(LOSS) (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The proposal to increase the rate to 25% was substantively enacted before the balance sheet date, so its effects are included in these financial statements.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Arriva Group is reviewing these rules to understand any potential impacts. The company does not account for deferred tax on top-up taxes and therefore, if these rules had been substantively enacted on the balance sheet date, there would have been no deferred tax accounting impact.

12. GOODWILL

	£000
Cost	
At 1 January 2022	50
At 31 December 2022	**50**
Accumulated impairment	
At 1 January 2022	29
At 31 December 2022	**29**
Net book value	
At 31 December 2022	**21**
At 31 December 2021	*21*

Goodwill amortisation is not permitted under FRS 101 however this is a departure from the requirements of the Companies Act 2006. The directors believe that the non-amortisation of goodwill represents a true and fair view therefore the departure from the Companies Act 2006 is appropriate. Amortisation of £14,000 would have been charged during the year under the Companies Act 2006.

13. TANGIBLE ASSETS

	Property £000	Plant and machinery £000	Public service vehicles £000	Total £000
Cost or valuation				
At 1 January 2022	175	166	3,981	4,322
Additions	89	47	457	593
Disposals	-	(22)	(1,056)	(1,078)
At 31 December 2022	264	191	3,382	3,837
Accumulated depreciation and impairment				
At 1 January 2022	175	166	3,981	4,322
Charge for the year	45	2	32	79
Disposals	-	(22)	(1,056)	(1,078)
Impairment charge	44	45	425	514
At 31 December 2022	264	191	3,382	3,837
Net book value				
At 31 December 2022	-	-	-	-
At 31 December 2021	-	-	-	-

13. TANGIBLE ASSETS (CONTINUED)

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

Right-of-use assets	Leasehold Property £000
Cost or valuation	
At 1 January 2022	175
Additions	78
At 31 December 2022	253
Accumulated depreciation and impairment	
At 1 January 2022	175
Charge for the year	42
Impairment charge	36
At 31 December 2022	253
Net book value	
At 31 December 2022	-
At 31 December 2021	-

14. INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2022	**1,658**
At 31 December 2022	**1,658**
Impairment	
At 1 January 2022	**1,658**
At 31 December 2022	**1,658**
Net book value	
At 31 December 2022	**-**
At 31 December 2021	-

SUBSIDIARY UNDERTAKINGS

The company held the following investments as at the balance sheet date:

Name	Registered office	Class of shares	Holding
Teamdeck Limited	14.1	Ordinary	100%
Yorkshire Tiger Limited	14.1	Ordinary	100%
White Rose Bus Company Limited (dissolved October 2023)	14.1	Ordinary	100%

Address of registered office :
14.1 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

15. STOCKS

	2022 £000	*2021 £000*
Raw materials and consumables	**62**	*55*
	62	*55*

Inventories are stated after provisions for impairment of £2,000 (2021: £nil).

16. DEBTORS

	2022 £000	*2021 £000*
Due after more than one year		
Derivative financial instruments (Note 19)	**15**	*-*
	15	*-*

	2022 £000	*Restated 2021 £000*
Due within one year		
Trade debtors	**182**	*175*
Amounts owed by group undertakings	**365**	*1,389*
Other debtors	**11**	*-*
Prepayments and accrued income	**137**	*89*
Tax recoverable	**-**	*616*
Deferred taxation (Note 20)	**-**	*15*
Derivative financial instruments (Note 19)	**86**	*-*
	781	*2,284*

Trade debtors are shown after a provision of £nil (2021: £nil).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Included within prepayments and accrued income is £115,000 (2021: £45,000) relating to contract assets under IFRS 15.

Prepayments and accrued income as at 31 December 2021 as previously reported of £51,000 has been restated to £89,000 and Tax recoverable has been restated from £660,000 to £616,000. Further information on this restatement is provided in Note 1.1.

17. CREDITORS: Amounts falling due within one year

	2022 £000	*2021 £000*
Amounts owed to group undertakings	**1,599**	*3,586*
Corporation tax	**252**	-
Other creditors	**41**	*1*
Accruals and deferred income	**92**	*63*
Deferred capital grant	**6**	-
	1,990	*3,650*

Amounts owed to group undertakings includes £1,480,000 (2021: £3,520,000) overdraft balances placed in a group wide cash and credit facility pooling agreement with the ultimate parent company. The amounts placed are unsecured, incur interest up to rate of 5.68% (2021: 0.85%) and are repayable on demand.

Amounts owed to group undertakings also includes £46,000 (2021: £55,000) in respect of amounts due to Arriva Midlands Limited under a sub-lease, with the terms of the sub lease being in line with the head lessee's terms for the leased property.

All other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Accruals and deferred income includes contract liabilities under contracts with concessions and tenders of £nil and £23,000 respectively (2021: £47,000 and £nil).

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

	2022 £000	*2021 £000*
Amounts owed to group undertakings	**94**	*105*
Deferred capital grants	**27**	-
	121	*105*

Amounts owed to group undertakings relate to a sub-lease from Arriva Midlands Limited, with the terms of the sub lease being in line with the head lessee's terms for the leased property.

19. 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. Energy price hedging has been entered into with the intention to reduce price fluctuations attributable to energy sourcing.

The receipts and payments from energy derivatives are recognised in the income statement 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 energy price derivatives recognised in the statement of comprehensive income are £nil (2021: £nil).

The amounts recognised within the financial statements are as follows:

	2022	*2021*
	£000	*£000*
Debtors: Amounts due after more than one year (Note 16)	**15**	-
Debtors: Amounts due within one year (Note 16)	**86**	-
	101	-

20. DEFERRED TAXATION

	2022	*2021*
	£000	*£000*
At 1 January	**15**	*116*
Charged to profit/(loss) for the financial year (Note 11)	**(15)**	*(101)*
At 31 December	**-**	*15*

20. DEFERRED TAXATION (CONTINUED)

The deferred tax asset is made up as follows:

	2022 £000	*2021 £000*
Accelerated capital allowances	961	-
Short term timing difference	16	*15*
Valuation allowance	(977)	-
	-	*15*

At 31 December 2022 the company had an unrecognised deferred tax asset of approximately £977,000 (2021: £nil) comprising deductible temporary differences in relation to fixed assets and other short term temporary differences. These gross deductible temporary differences amount to £3,908,000 (2021: £nil). It is not considered prudent to recognise the asset at the year end due to the uncertainty around the availability of future profits.

21. PROVISIONS FOR LIABILITIES

	Dilapidations £000	Insurance £000	Other £000	Total £000
At 1 January 2022	64	18	-	82
Additions	-	149	1	150
Released in year	-	(15)	-	(15)
Utilised in year	-	(41)	-	(41)
At 31 December 2022	64	111	1	176

The dilapidations provision represents the directors' best estimate of future dilapidation costs arising from existing contractual obligations.

Insurance provisions are amounts payable relating to insurance incidents, based on an assessment of the expected settlement on known claims using the experience of insurance claims handlers.

22. CALLED UP SHARE CAPITAL

	2022 £	2021 £
Allotted, called up and fully paid		
400 *(2021: 400)* Ordinary A shares of £1.00 each	**400**	*400*
510 *(2021: 510)* Ordinary B shares of £1.00 each	**510**	*510*
	910	*910*

23. RESERVES

Cash flow hedge reserve
Cumulative effective portion of gains and losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently transferred to the cost of inventory or recycled to profit or loss as appropriate.

Profit and loss account
The profit and loss reserve records the cumulative profit and loss net of distribution to shareholders.

24. CAPITAL COMMITMENTS

At 31 December 2022 and 2021 the company had capital commitments as follows:

	2022 £000	2021 £000
Property, plant and equipment	**9**	*13*

25. PENSION COMMITMENTS

The pension cost charge for the year represents contributions payable by the company to a defined contribution pension scheme and amounted to £124,000 (2021: £90,000).

26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Arriva UK Bus Investments 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 AG Group are not specifically disclosed as the company has taken advantage of the exemption for wholly-owned subsidiaries.

27. POST BALANCE SHEET EVENTS

On 19 October 2023, Deutsche Bahn AG ('DB') announced an agreement had been signed under which Arriva plc, the company's intermediate parent company, would be sold to I-Squared Capital. The transaction is expected to complete in 2024, subject to the customary closing conditions, including the approval of the DB Supervisory Board and the Federal Ministry for Digital and Transport of the Federal Republic of Germany.