
ARRIVA PLC

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

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ARRIVA PLC

Company Information

Directors	M J Hibbert U Homburg R Lutz D R Martin M Rudhart T Schein N K E Klimt
Company secretary	K M Carlaw
Company number	347103
Registered office	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

ARRIVA PLC

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ARRIVA PLC

Strategic report for the year ended 31 December 2014

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

Principal activities

The principal activities of the company continue to be that of a holding company and provider of central support services for its subsidiary companies, which operate bus and train services in the UK and mainland Europe. There have not been any significant changes in the company's principal activities in the year and the directors are not aware, at the date of this report, of any significant changes in the company's activities expected in the next year.

Business review

The combination of Arriva and Deutsche Bahn ("DB") in 2010 created one of the leading passenger transport groups in Europe and puts Arriva in a strong position as DB's division for growth in regional passenger transport outside Germany.

The directors consider the state of the company's affairs to be satisfactory and there have been no material changes since the balance sheet date.

The company's profit and loss account on page 8 shows a profit on ordinary activities before taxation of £68,584,000 (2013: loss £16,833,000). The reasons for reporting a profit in the year compared to a loss in 2013 are largely the increase in dividends received from group undertakings to £77,114,000 (2013: £23,500,000), the impairment of the investment value of TGM (Holdings) Limited of £10,782,000 in 2013 and in the prior year there were costs of £7,080,000 associated with the provision of finance to Arriva Malta Limited, an indirect subsidiary company which was disposed of to the Government of Malta on 2 January 2014. There has also been a decrease in the cost base of the company during the year.

As at the balance sheet date the company had net assets of £684,712,000 (2013: £618,791,000). The increase is largely due to the profit reported in the year, partially offset by an actuarial loss on the company's pension scheme.

Principal risks and uncertainties

An annual assessment is performed to review the scale and probability of the principal risks faced by Arriva plc and its subsidiaries. As part of its ongoing programme of risk assessment and management, the following actual and potential risks have been identified as those which the directors believe could have a material impact on the long-term value generation of the Arriva group. The factors described below are not intended to form a definitive list of all risks and uncertainties faced by the Arriva group. In particular the list excludes generic risks common to many companies such as terrorism, pandemics and succession planning.

1 Market risks

1a. Changes in national public sector transport budgets

A considerable proportion of the Arriva group's income is derived directly or indirectly from national public transport budgets. Changes in these budgets can have positive or negative impacts on the Arriva group's prospects. The Arriva group continues to monitor national public transport budgetary policies in the countries where it operates and ensures it is strategically aware in order to understand possible changes, be in a position to influence them, where possible, and react in a timely fashion.

1b. Changes in public transport legislation or regulation

Arriva's UK and mainland European management actively engage with local authorities, national governments and EU institutions regarding the formulation and implementation of transport related legislation and continue to work with industry partners to represent the best long-term interests of the industry and its customers.

Strategic report (continued)

2 Operational risks

The Arriva Board recognises the importance to the business, as a public transport operator, of maintaining high standards of safety and the consequences of failing to do so. The Arriva group needs to ensure that standards are maintained and necessary policies are complied with to meet its related obligations. The Arriva safety and environmental committee reports to the Arriva group executive committee and oversees the Arriva group's safety and environmental arrangements for its implementation and reporting. Monitoring of safety and environmental performance is carried out by the committee, which includes senior representatives of all Arriva group businesses and reports to the Arriva group executive committee. The Arriva environmental management system holds a senior manager in each business accountable for compliance with Arriva group policies and local legislation, and with achieving Arriva environmental targets.

3 Commercial risks

3a. Uncertainty over the ongoing impact of economic volatility

The impact of ongoing economic uncertainty to the group is likely to be in the area of patronage/financial performance. Arriva's balanced portfolio of operations, between bus and rail, and between different countries, reduces its exposure to any downturn in individual market sectors.

3b. Acquisitions, franchise/tender bid costing and revenue forecasting

Errors or inaccurate assumptions in tenders or acquisitions represent a risk to the business. A number of procedures are in place to mitigate this risk. In accordance with delegated authority limits, the Arriva Board approves all significant business acquisitions, disposals and tenders. Standard tender models are in use across the business. Significant bus and train tender contracts are compared with current experience to identify weaknesses and potential improvements in the tender process. Post-investment appraisals are carried out through quarterly business review meetings.

Acquisitions of businesses are an important part of Arriva's growth strategy. It could be damaging financially to Arriva if material new acquisitions were made at excessive values or with material hidden liabilities. Arriva has clearly defined guidelines for due diligence work and approval of potential acquisitions, which require the monitoring of such items by the executive directors subject to delegated authority limits. Sale and purchase agreements generally include price adjustment mechanisms and warranties, as appropriate.

4 Financial risks

Following the acquisition of Arriva by DB, the DB group is the principal source of funding for Arriva 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 by the DB treasury function. For further details relating to financial risk management please refer to the Deutsche Bahn 2014 Annual Report.

Increased retirement benefit obligations may require additional contributions to be made by companies to state or other schemes. Such contributions could have a material impact on the Arriva group. The company undertakes regular pension strategy reviews with the Arriva group's pension advisors, and monitors developments in Arriva group pension schemes and local governments/state schemes where we operate.

5 Compliance risks

The Arriva Board recognises the importance of a strong compliance framework to ensure it adheres to the relevant legislation and avoids the financial and reputational risk of failing to do so. This is underpinned by clearly defined programmes in data protection, anti-bribery and competition legislation. A compliance structure is in place with the aim of ensuring that effective compliance processes are in operation, that all relevant staff are trained and that effective compliance reporting is in operation.

Future developments

There have not been any significant changes in the company's principal activities in the year and the directors are not aware, at the date of this report, of any significant changes in the company's activities expected in the next year.

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Strategic report (continued)

Key performance indicators

The executive committee of Arriva Plc manages the Arriva group's operations on a divisional basis. The company's directors have determined key performance indicators for the Arriva group which are reported monthly to enable an understanding of the development, performance or position of the business of the Arriva group.

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 plc.

This report was approved by the board on 21 May 2015 and signed on its behalf.



K M Carlaw
Company secretary

ARRIVA PLC

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

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

Results and dividends

The profit for the financial year, after taxation, amounted to £70,739,000 (2013 - loss £11,846,000).

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

Directors

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

M D Cooper (resigned 31 October 2014)

R W Holland (resigned 31 May 2014)

M J Hibbert

U Homburg

R Lutz

D R Martin

M Rudhart

T Schein

N K E Klimt (appointed 21 May 2014)

Financial risk management and objectives

Following the acquisition of Arriva by DB, the DB group is the principal source of funding for Arriva and its subsidiaries. The group's financial risks, including liquidity risks and those arising from interest rates, commodity prices and currency fluctuations are managed by the DB treasury function. For further details relating to financial risk management please refer to the Deutsche Bahn 2014 Annual Report.

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

Directors' responsibilities statement

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

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

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

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

Disclosure of information to auditors

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

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

This report was approved by the Board on 21 May 2015 and signed on its behalf.



K M Carlaw
Company secretary

ARRIVA PLC

Independent auditors' report to the members of Arriva Plc

Report on the financial statements

Our opinion

In our opinion, Arriva Plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Arriva Plc's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended;
- the statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

ARRIVA PLC

Independent auditors' report to the members of Arriva Plc

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Bill MacLeod (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
22 May 2015

ARRIVA PLC

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

	Note	2014 £000	2013 £000
Administrative expenses		(24,159)	(33,503)
Other operating income		13,522	10,360
OPERATING LOSS	2	(10,637)	(23,143)
Income from shares in group undertakings		77,114	23,500
Exceptional items	9	-	(7,080)
Interest receivable and similar income	6	579	693
Amounts written off investments		-	(10,782)
Interest payable and similar charges	7	(148)	(803)
Other finance income	8	1,676	782
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		68,584	(16,833)
Tax on profit/(loss) on ordinary activities	10	2,155	4,987
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		70,739	(11,846)

All amounts relate to continuing operations.

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

The notes on pages 11 to 24 form part of these financial statements.

ARRIVA PLC

**Statement of total recognised gains and losses
for the year ended 31 December 2014**

	Note	2014 £000	2013 £000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		70,739	(11,846)
Actuarial (loss)/gain related to pension scheme	21	(5,693)	3,957
Deferred tax attributable to actuarial (loss)/gain	17	875	(753)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		65,921	(8,642)

The notes on pages 11 to 24 form part of these financial statements.

ARRIVA PLC
Registered number: 347103

Balance sheet
as at 31 December 2014

	Note	2014 £000	2013 £000
FIXED ASSETS			
Intangible assets	11	4,168	-
Tangible assets	12	6,654	6,727
Investments	13	707,249	614,223
		<u>718,071</u>	<u>620,950</u>
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	14	96,164	278,928
Debtors: amounts falling due within one year	14	94,334	20,003
Cash at bank and in hand		244	259
		<u>190,742</u>	<u>299,190</u>
CREDITORS: amounts falling due within one year	15	<u>(26,708)</u>	<u>(26,276)</u>
NET CURRENT ASSETS		<u>164,034</u>	<u>272,914</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>882,105</u>	<u>893,864</u>
CREDITORS: amounts falling due after more than one year	16	<u>(199,043)</u>	<u>(279,062)</u>
NET ASSETS EXCLUDING PENSION SCHEME ASSET		<u>683,062</u>	<u>614,802</u>
Pension scheme asset	21	1,650	3,989
NET ASSETS		<u>684,712</u>	<u>618,791</u>
CAPITAL AND RESERVES			
Called up share capital	18	10,220	10,220
Share premium account	19	34,861	34,861
Other reserves	19	60,882	60,882
Profit and loss account	19	578,749	512,828
TOTAL SHAREHOLDERS' FUNDS	20	<u>684,712</u>	<u>618,791</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 21 May 2015.

M J Hibbert
Director



The notes on pages 11 to 24 form part of these financial statements.

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

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements, therefore present information about the company as an individual undertaking and not about its group.

1.2 Cash flow statement

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

1.3 Intangible assets and amortisation

Intangible assets relate to costs in respect of developing an Enterprise Resource Planning system. The project is still within a development phase, therefore no amortisation has been charged in the current year.

1.4 Tangible assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	straight line over 50 years
Plant and machinery	-	straight line over 3 to 10 years

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment. Investments are reviewed annually for any indicator of impairment.

1.6 Deferred taxation

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

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

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

Deferred tax assets and liabilities are not discounted.

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

1. ACCOUNTING POLICIES (continued)

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.8 Pensions

During the year the company operated a contract based pension scheme. 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.

The company also operates a defined benefit pension scheme. The surplus recognised in the balance sheet in respect of the company's defined benefit pension plan is the fair value of the plan assets at the balance sheet date less the present value of the defined obligation, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated using the projected unit credit method. Formal actuarial valuations are carried out by an independent actuary on a triennial basis, with updated calculations being prepared at each balance sheet date by qualified independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The cost of providing future benefits (service cost) is charged to the profit and loss account as required. The return on scheme assets and interest obligation on scheme liabilities is included in other finance income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the statement of total recognised gains and losses in the period they arise.

1.9 Related party transactions

As permitted under FRS8, 'Related party disclosures', the company has taken advantage of the exemption not to disclose transactions between group companies.

There were no significant transactions with associates during the year.

1.10 Dividend income and payments

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

1.11 Deferred income

Deferred income, which relates to licenses issued by the company to subsidiaries for the use of the Arriva brand name, is recognised in the profit and loss account over the licence period of up to 15 years.

1.12 Other operating income

Other operating income is derived from licences for the use of the Arriva brand name, management charges, rental income, and other services excluding value added tax. It is recognised in the profit and loss account on an accruals basis.

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

2. OPERATING LOSS

The operating loss is stated after charging:

	2014	2013
	£000	£000
Depreciation of tangible fixed assets:		
- owned by the company	249	288

3. AUDITORS' REMUNERATION

	2014	2013
	£000	£000
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	75	74
Fees payable to the company's auditors and its associates in respect of:		
All other services	103	239

4. STAFF COSTS

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

	2014	2013
	£000	£000
Wages and salaries	13,797	9,415
Social security costs	1,472	1,099
Other pension costs	599	490
	15,868	11,004

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

	2014	2013
	Number	Number
Administrative	114	104

ARRIVA PLC

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

5. DIRECTORS' EMOLUMENTS

	2014	2013
	£000	£000
Remuneration	3,133	2,784
Company contributions to defined benefit pension schemes	82	50

At 31 December retirement benefits were accruing to 1 director (2013 - 3) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £1,563,000 (2013 - £1,239,000).

During the year compensation for loss of office was paid to a former director of £664,000 (2013 - £Nil).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2014	2013
	£000	£000
Interest receivable from group companies	549	693
Net exchange gain on foreign currency transactions	30	-
	579	693

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	£000	£000
Other interest payable	148	-
Interest payable to group undertakings	-	803
	148	803

8. OTHER FINANCE INCOME

	2014	2013
	£000	£000
Expected return on pension scheme assets	4,081	3,165
Interest on pension scheme liabilities	(2,405)	(2,383)
	1,676	782

9. EXCEPTIONAL ITEMS

Exceptional costs of £7,080,000 in the prior year related to costs associated with the provision of finance to Arriva Malta Limited, an indirect subsidiary company, which was disposed of to the Government of Malta on 2 January 2014.

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

10. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2014	2013
	£000	£000
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax credit on profit/(loss) for the year	(3,374)	(4,620)
Adjustments in respect of prior years	207	361
Total current tax	<u>(3,167)</u>	<u>(4,259)</u>
Deferred tax		
Origination and reversal of timing differences	1,309	(309)
Adjustments in respect of prior years	(297)	(419)
Total deferred tax (see note 17)	<u>1,012</u>	<u>(728)</u>
Tax on profit/(loss) on ordinary activities	<u>(2,155)</u>	<u>(4,987)</u>

Factors affecting tax charge/(credit) for the year

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

	2014	2013
	£000	£000
Profit/(loss) on ordinary activities before tax	<u>68,584</u>	<u>(16,833)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%)	14,746	(3,914)
Effects of:		
Expenses not deductible for tax purposes	574	1,919
Capital allowances for year (more than)/less than depreciation	(166)	1
Adjustments in respect of prior years	207	361
Impairment of fixed asset investments	-	2,507
Non-taxable dividend income	(16,580)	(5,464)
Other non-taxable income	(728)	(640)
Other timing differences	(1,220)	971
Current tax credit for the year (see note above)	<u>(3,167)</u>	<u>(4,259)</u>

Factors that may affect future tax charges

During 2012 the UK Government announced that the UK Corporation Tax rate applicable from 1 April 2013 would be 23%, and that the UK Corporation Tax rate applicable from 1 April 2014 would be 21%.

On 20 March 2013 the UK Government made a further announcement that the UK Corporation Tax rate applicable from 1 April 2015 would be 20%.

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

11. INTANGIBLE ASSETS

	Enterprise resource planning £000
Cost	
Additions	4,168
At 31 December 2014	4,168
Amortisation	
At 1 January 2014 and 31 December 2014	-
Net book value	
At 31 December 2014	4,168
At 31 December 2013	-

Intangible assets relate to costs in respect of developing an Enterprise Resource Planning system. The project is still within a development phase, therefore no amortisation has been charged in the current year.

12. TANGIBLE ASSETS

	Freehold property £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2014	9,281	2,160	11,441
Additions	125	51	176
At 31 December 2014	9,406	2,211	11,617
Accumulated depreciation			
At 1 January 2014	2,726	1,988	4,714
Charge for the year	171	78	249
At 31 December 2014	2,897	2,066	4,963
Net book value			
At 31 December 2014	6,509	145	6,654
At 31 December 2013	6,555	172	6,727

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

13. INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2014	639,705
Additions	93,026
Disposals	(14,600)
At 31 December 2014	718,131
Impairment	
At 1 January 2014	25,482
Disposals	(14,600)
At 31 December 2014	10,882
Net book value	
At 31 December 2014	707,249
At 31 December 2013	614,223

Subsidiary undertakings

The following are direct subsidiary undertakings of the company:

Name	Class of shares	Holding
TGM (Holdings) Limited	Ordinary	100 %
Arriva Passenger Services Limited	Ordinary	100 %
Arriva Motor Holdings Limited	Ordinary	100 %
MTL Services Limited	Ordinary	100 %
Arriva International Limited	Ordinary	100 %
Arriva Insurance Company (Gibraltar) Limited	Ordinary	100 %
Zeta Automotive Limited	Ordinary	51 %

Name	Business	Registered office
TGM (Holdings) Limited	Investment company	England and Wales
Arriva Passenger Services Limited	Investment company	England and Wales
Arriva Motor Holdings Limited	Investment company	England and Wales
MTL Services Limited	Investment company	England and Wales
Arriva International Limited	Investment company	England and Wales
Arriva Insurance Company (Gibraltar) Limited	Insurance services	Gibraltar
Zeta Automotive Limited	Automotive technology company	England and Wales

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

A full list of investments held indirectly in subsidiary companies can be found in an appendix to the next annual return, which can be obtained directly from Companies House.

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

13. INVESTMENTS (continued)

During the year the company increased its shareholding in MTL Services Limited with the purchase of 1 ordinary share of £0.10 for a cash consideration of £93,000,000.

The company also increased its shareholding in Zeta Automotive Limited with the purchase of 255 ordinary "A" shares of £0.10 for a cash consideration of £25,500.

During the year the company disposed of various dormant subsidiary undertakings which had a net book value of £Nil.

14. DEBTORS

	2014 £000	2013 £000
Amounts falling due after more than one year		
Amounts owed by group undertakings	96,164	278,928
	<hr/>	<hr/>
	2014 £000	2013 £000
Amounts falling due within one year		
Trade debtors	370	1,984
Amounts owed by group undertakings	76,293	-
Group relief receivable	9,374	10,020
Other debtors	4,428	3,104
Prepayments and accrued income	302	607
Deferred tax asset (see note 17)	3,567	4,288
	<hr/>	<hr/>
	94,334	20,003
	<hr/>	<hr/>

15. CREDITORS:

Amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	889	1,249
Amounts owed to group undertakings	2,020	-
Taxation and social security	1,521	1,102
Other creditors	521	3,964
Accruals and deferred income	21,757	19,961
	<hr/>	<hr/>
	26,708	26,276
	<hr/>	<hr/>

ARRIVA PLC

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

16. CREDITORS:

Amounts falling due after more than one year

	2014	2013
	£000	£000
Amounts owed to group undertakings	179,782	254,179
Other creditors	1,000	-
Accruals and deferred income	18,261	24,883
	<u>199,043</u>	<u>279,062</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	2014	2013
	£000	£000
Repayable other than by instalments	<u>179,782</u>	<u>254,179</u>

17. DEFERRED TAX ASSET

The movement in the deferred tax asset, excluding deferred tax on the pension surplus, during the year was as follows:

	2014	2013
	£000	£000
At 1 January	4,288	2,798
(Charge)/credit during the year	(721)	1,490
At 31 December	<u>3,567</u>	<u>4,288</u>

The deferred tax asset, excluding deferred tax on the pension surplus, is made up as follows:

	2014	2013
	£000	£000
Differences between capital allowances and depreciation	(90)	69
Other timing differences	3,657	4,219
	<u>3,567</u>	<u>4,288</u>

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**Notes to the financial statements
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17. DEFERRED TAX ASSET (continued)

	2014	2013
	£000	£000
The deferred tax balance, including deferred tax on the pension surplus, consists of the tax effect of timing differences in respect of:		
Differences between capital allowances and depreciation	(90)	69
Other timing differences	<u>3,657</u>	<u>4,219</u>
Deferred tax excluding that relating to pension surplus	<u>3,567</u>	<u>4,288</u>
Deferred tax liability relating to pension surplus	<u>(413)</u>	<u>(997)</u>
Total deferred tax asset	<u><u>3,154</u></u>	<u><u>3,291</u></u>
	2014	2013
	£000	£000
The movement in the deferred tax asset, including deferred tax on the pension deficit, during the year was:		
At 1 January	3,291	3,316
Deferred tax (charged)/credited to the profit and loss account (Note 10)	(1,012)	728
Deferred tax credited/(charged) to the statement of total recognised gains and losses	<u>875</u>	<u>(753)</u>
At 31 December	<u><u>3,154</u></u>	<u><u>3,291</u></u>

18. CALLED UP SHARE CAPITAL

	2014	2013
	£000	£000
Allotted, called up and fully paid		
204,390,900 Ordinary shares of £0.05 each (2013: 204,390,900)	<u><u>10,220</u></u>	<u><u>10,220</u></u>

19. RESERVES

	Share premium account £000	Other reserves £000	Profit and loss account £000
At 1 January 2014	34,861	60,882	512,828
Profit for the financial year	-	-	70,739
Actuarial loss related to pension scheme net of tax	-	-	(4,818)
At 31 December 2014	<u><u>34,861</u></u>	<u><u>60,882</u></u>	<u><u>578,749</u></u>

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**Notes to the financial statements
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OTHER RESERVES

Other reserves includes a capital redemption reserve of £1,757,000 which represents the cumulative par value of all shares bought back and cancelled by the group and is not distributable. There is also a special reserve of £59,125,000 which was created in 1997 when an application to transfer the share premium account into a special reserve was granted by the High Court, and is not distributable.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014	2013
	£000	£000
Opening shareholders' funds	618,791	627,433
Profit/(loss) for the financial year	70,739	(11,846)
Actuarial (loss)/gain related to pension scheme net of tax	(4,818)	3,204
	<hr/>	<hr/>
Closing shareholders' funds	684,712	618,791
	<hr/>	<hr/>

21. PENSION COMMITMENTS

At 31 December 2014 the company operated both defined benefit and contract based pension schemes, which are financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees. Contributions to the defined benefit funds are based upon actuarial advice following the most recent of a regular series of valuations of the funds by their representative independent actuaries.

The total pension cost for the company was £1.0 million credit (2013: £0.3 million credit). The pension costs in respect of the company's defined contribution and contract based pension schemes was £0.5 million (2013: £0.4 million).

FRS 17 'Retirement Benefits'

The calculations used to assess the FRS17 liabilities of the retirement benefit scheme are based on the most recent actuarial valuations, updated to 31 December 2014 by qualified independent actuaries, KPMG LLP. The scheme's assets are stated at their market value at 31 December 2014.

The amounts recognised in the balance sheet are as follows:

	2014	2013
	£000	£000
Present value of funded obligations	(62,842)	(57,184)
Fair value of scheme assets	64,905	62,170
	<hr/>	<hr/>
Surplus in scheme	2,063	4,986
Related deferred tax liability	(413)	(997)
	<hr/>	<hr/>
Net asset	1,650	3,989
	<hr/>	<hr/>

ARRIVA PLC

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

21. PENSION COMMITMENTS (continued)

The amounts recognised in the profit and loss account are as follows:

	2014 £000	2013 £000
Current service cost	(94)	(90)
Interest on obligation	(2,405)	(2,383)
Expected return on scheme assets	4,081	3,165
Total	1,582	692
 Actual return on scheme assets	 4,999	 9,066

Movements in the present value of the defined benefit obligation were as follows:

	2014 £000	2013 £000
Opening defined benefit obligation	57,184	55,305
Current service cost	94	90
Interest cost	2,405	2,383
Actuarial loss	6,611	1,944
Benefits paid	(3,529)	(2,605)
Member contributions paid	77	67
Closing defined benefit obligation	62,842	57,184

Changes in the fair value of scheme assets were as follows:

	2014 £000	2013 £000
Opening fair value of scheme assets	62,170	53,053
Expected return on assets	4,081	3,165
Actuarial gains	918	5,901
Total contributions	1,265	2,656
Benefits paid	(3,529)	(2,605)
Total	64,905	62,170

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses was £232,000 gain (2013 - £5,925,000 gain).

The company expects to contribute £1.3 million to its defined benefit pension scheme in 2015.

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

21. PENSION COMMITMENTS (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2014	2013
Equities	59.00 %	72.00 %
Bonds	41.00 %	28.00 %

Principal actuarial assumptions at the balance sheet date:

	2014	2013
Discount rate at 31 December	3.40 %	4.30 %
Expected return on scheme assets at 31 December	6.00 %	7.10 %
Future salary increases	3.70 %	4.00 %
Future pension increases	2.00 %	2.30 %
Inflation rate	3.00 %	3.30 %

The directors' assessment of the expected returns is based on historical return trends, the forward looking views of financial markets (suggested by the yields available) and the views of investment organisations.

The average life expectancy for members aged 65 are male: 18 years (2013: 17 years) and female: 20 years (2013: 19 years).

The average life expectancy at 65 for members aged 45 are male: 19 years (2013: 18 years) and female: 21 years (2013: 20 years).

Amounts in relation to defined benefit pension schemes for the current and previous four years are as follows:

Defined benefit pension schemes

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Defined benefit obligation	(62,842)	(57,184)	(55,305)	(49,113)	(49,928)
Scheme assets	64,905	62,170	53,053	48,462	50,829
Surplus/(deficit)	2,063	4,986	(2,252)	(651)	901
Experience adjustments on scheme liabilities	(6,611)	(1,944)	(6,062)	(211)	(2,749)
Experience adjustments on scheme assets	918	5,901	3,339	(4,733)	2,388

ARRIVA PLC

**Notes to the financial statements
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22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

Information on Arriva plc 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 FRS 8 'Related party disclosures' for wholly-owned subsidiaries.