

Registered number: 347103

ARRIVA PLC

Annual report and financial statements

For the Year Ended 31 December 2018

MONDAY



A88SHTQ2

A22

01/07/2019

#336

COMPANIES HOUSE

ARRIVA PLC

Company Information

Directors

Dr M Rudhart
M J Hibbert
Dr M Müller
A Doll
B Huber
S Klenke

Company secretary

P C Davison

Registered 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

Contents

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditors' report	6 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 48

**Strategic report
For the Year Ended 31 December 2018**

The directors present their Strategic report for the year ended 31 December 2018.

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 passenger transport services in the UK and mainland Europe.

REVIEW OF BUSINESS

The acquisition of Arriva by Deutsche Bahn ("DB") in 2010 created one of the leading passenger transport groups in Europe and put the Arriva group in a strong position as DB's division for growth in regional passenger transport outside Germany. On 27 March 2019, Deutsche Bahn AG ("DB") announced its intention to explore options to sell the Arriva group, through either a sale of up to 100% of the shares in Arriva to one or more investors or through an Initial Public Offering ("IPO"). This is detailed further in the future developments section of this report.

The company's statement of comprehensive income on page 9 shows a profit on ordinary activities before taxation of £26,375,000 (2017: £13,045,000). The increase in profitability is primarily due to an increase in dividends received from subsidiary companies, an exceptional cost relating to Guaranteed Minimum Pension equalisation (Note 4), partially offset by benefits arising from a pension liability exercise.

As at the balance sheet date the company had net assets of £566,286,000 (2017: £652,729,000). The decrease in net assets is due to the actuarial loss on the company's defined benefit pension schemes during the year (net of deferred tax), the payment of a dividend during the year, partly offset by the profit for the year.

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

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 and pandemics.

Strategic report (continued)
For the Year Ended 31 December 2018

PRINCIPAL RISKS AND UNCERTAINTIES (continued)**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 Arriva operates to ensure that it is strategically aware 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 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 passenger transport industry and its customers.

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 ensures that standards are maintained and necessary policies are complied with to meet its related obligations. The Environment, Health and Safety Committee reports to the Arriva Management Board and oversees the implementation and reporting of the Arriva group's safety and environment arrangements. Monitoring of safety and environmental performance is carried out by the Environment, Health and Safety Committee, which includes senior representatives of all Arriva group businesses.

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. The Arriva group'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 Management Board Investment Committee and the DB Mergers and Acquisitions Steering Committee approve any significant business acquisitions and the Arriva Finance and Investment Committee approves all significant business 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 group's growth strategy. It could be damaging financially to the Arriva group if material new acquisitions were made at excessive values or with material hidden liabilities. The Arriva group has clearly defined guidelines for due diligence work and approval of potential acquisitions, subject to delegated authority limits. Sale and purchase agreements generally include price adjustment mechanisms and warranties as appropriate.

4. Financial risks

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 Deutsche Bahn treasury policy. For further details relating to financial risk management please refer to the Deutsche Bahn 2018 Integrated Report.

Increased retirement benefit obligations may require additional contributions to be made by companies to state or other pension schemes. Increased contributions could have a material impact on the Arriva group. Regular pension strategy reviews are undertaken with the Arriva group's pension advisors and developments in the Arriva group pension schemes and local government/state schemes where the group operates are monitored.

ARRIVA PLC

Strategic report (continued) For the Year Ended 31 December 2018

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

5. Compliance risks

The Arriva Board and Arriva Management Board recognise the importance of a strong compliance framework to ensure that Arriva 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, anti-tax evasion and competition legislation. A compliance structure is in place with the aim of ensuring that compliance processes are effective, that all relevant staff are trained and that effective compliance reporting is in operation.

FUTURE DEVELOPMENTS

On 27 March 2019, Deutsche Bahn AG ("DB") announced its intention to explore options to sell the Arriva group, through either a sale of up to 100% of the shares in Arriva to one or more investors or through an Initial Public Offering ("IPO").

The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future.

However, the possibility of a change in ownership of the company within the next 12 months means that the directors are unable to assess or control all scenarios for the company's future, including its funding, a future owner's intentions for the company, the post-sale group structure, or the impact on intercompany balances. Given the uncertainties associated with these possible implications should a change of ownership occur, the potential effects of the proposed sale indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

KEY PERFORMANCE INDICATORS

The Management Board of Deutsche Bahn AG, the ultimate parent company, manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Arriva plc and therefore it is not appropriate to use non-financial KPIs as management do not analyse this entity using any. The development performance and position of the group, including this company, is discussed in the Deutsche Bahn group's Integrated Report which does not form part of this report.

This report was approved by the Board of Arriva plc on 23 May 2019 and signed by order of the Board.



M J Hibbert
Director

**Directors' report
For the Year Ended 31 December 2018**

The directors present their report and the audited financial statements for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The profit after taxation for the financial year amounted to £30,553,000 (2017: £21,200,000).

The company paid a dividend during the year of £44,660,000 (2017: £Nil).

DIRECTORS

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

Dr M Rudhart
M J Hibbert
Dr M Müller (appointed 1 January 2018)
A Doll (appointed 1 April 2018)
S Klenke
B Huber

FINANCIAL RISK MANAGEMENT AND OBJECTIVES

Following the acquisition of Arriva by Deutsche Bahn in 2010, Deutsche Bahn AG is the principal source of funding for Arriva plc and its subsidiaries. The group's financial risks, including liquidity risks and those arising from interest rates, commodity prices and currency fluctuations are managed in accordance with Deutsche Bahn treasury policy. For further details relating to financial risk management please refer to the Deutsche Bahn 2018 Integrated Report.

The financial risks of the company have been disclosed in the Strategic report.

EMPLOYEE INVOLVEMENT

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

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

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

DISABLED EMPLOYEES

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

MATTERS COVERED IN THE STRATEGIC REPORT

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

ARRIVA PLC

Directors' report For the Year Ended 31 December 2018

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

This report was approved by the Board of Arriva plc on 23 May 2019 and signed by order of the Board.



M J Hibbert
Director

Independent auditors' report to the members of Arriva plc

Report on the audit of the financial statements

Opinion

In our opinion, Arriva plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual report"), which comprise: the Balance sheet as at 31 December 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future. However, due to Deutsche Bahn AG exploring options to sell the company within the next 12 months, the directors have been unable to assess the company's ability to continue as a going concern beyond that point because the form of the planned transaction is unknown, as are the purchaser's intentions for the future of 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 was unable to continue as a going concern.

Independent auditors' report to the members of Arriva plc

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

ARRIVA PLC

Independent auditors' report to the members of Arriva plc

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

27 June 2019

ARRIVA PLC

Statement of comprehensive income For the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
Administrative expenses		(45,914)	(61,958)
Other operating income		36,684	27,059
Exceptional items	4	(25,701)	-
Operating loss	5	(34,931)	(34,899)
Income from shares in group undertakings		66,293	53,000
Amounts written off investments	16	(3,000)	-
Interest receivable and similar income	9	81	65
Interest payable and similar charges	10	(111)	(719)
Other finance charges (Note 11)	11	(1,957)	(4,402)
Profit on ordinary activities before taxation		26,375	13,045
Taxation on profit on ordinary activities	13	4,178	8,155
Profit for the financial year		30,553	21,200
Other comprehensive (expense) / income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss) / gain on pension deficit	24	(89,580)	84,472
Movements of deferred tax relating to actuarial (loss) / gain on pension deficit	20	17,244	(16,261)
Other comprehensive (expense) / income net of tax		(72,336)	68,211
Total comprehensive (expense) / income for the financial year		(41,783)	89,411

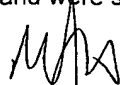
The notes on pages 12 to 48 form part of these financial statements.

ARRIVA PLC
Registered number:347103

Balance sheet
As at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	14	57,365	46,572
Tangible assets	15	7,878	7,904
Investments	16	705,749	708,249
		<u>770,992</u>	<u>762,725</u>
Current assets			
Debtors: Amounts falling due after more than one year	17	32,065	49,167
Debtors: Amounts falling due within one year	17	138,735	119,217
Cash at bank and in hand		580	585
		<u>171,380</u>	<u>168,969</u>
Creditors: Amounts falling due within one year	18	(67,893)	(51,757)
Net current assets		<u>103,487</u>	<u>117,212</u>
Total assets less current liabilities		<u>874,479</u>	<u>879,937</u>
Creditors: Amounts falling due after more than one year	19	(133,238)	(146,185)
Net assets excluding pension deficit		<u>741,241</u>	<u>733,752</u>
Pension deficit (net)	24	(174,955)	(81,023)
Net assets		<u><u>566,286</u></u>	<u><u>652,729</u></u>
Capital and reserves			
Called up share capital	23	10,220	10,220
Share premium account		34,861	34,861
Other reserves	22	60,882	60,882
Profit and loss account		460,323	546,766
Total shareholders' funds		<u><u>566,286</u></u>	<u><u>652,729</u></u>

The financial statements on pages 9 to 48 were approved and authorised for issue by the Board of Arriva plc and were signed on its behalf on 23 May 2019.



M J Hibbert
Director

The notes on pages 12 to 48 form part of these financial statements.

ARRIVA PLC

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

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2017	10,220	34,861	60,882	457,355	563,318
Comprehensive income for the year					
Profit for the financial year	-	-	-	21,200	21,200
Actuarial gain on pension deficit	-	-	-	84,472	84,472
Movements of deferred tax relating to actuarial gain on pension deficit	-	-	-	(16,261)	(16,261)
Other comprehensive income for the year	-	-	-	68,211	68,211
Total comprehensive income for the year	-	-	-	89,411	89,411
At 1 January 2018	10,220	34,861	60,882	546,766	652,729
Comprehensive income for the year					
Profit for the financial year	-	-	-	30,553	30,553
Actuarial loss on pension deficit	-	-	-	(89,580)	(89,580)
Movements of deferred tax relating to actuarial loss on pension deficit	-	-	-	17,244	17,244
Other comprehensive expense for the year	-	-	-	(72,336)	(72,336)
Total comprehensive expense for the year	-	-	-	(41,783)	(41,783)
Dividends paid (Note 12)	-	-	-	(44,660)	(44,660)
At 31 December 2018	10,220	34,861	60,882	460,323	566,286

The notes on pages 12 to 48 form part of these financial statements.

**Notes to the financial statements
For the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all years, unless otherwise stated. The financial statements have been prepared on the going concern basis under the historic cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through retained earnings, and in accordance with the Companies Act 2006. During the year the company adopted IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments". There were no material changes on adoption.

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.

GOING CONCERN

On 27 March 2019, Deutsche Bahn AG ("DB") announced its intention to explore options to sell the Arriva group, through either a sale of up to 100% of the shares in Arriva to one or more investors or through an Initial Public Offering ("IPO").

The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future.

However, the possibility of a change in ownership of the company within the next 12 months means that the directors are unable to assess or control all scenarios for the company's future, including its funding, a future owner's intentions for the company, the post-sale group structure, or the impact on intercompany balances. Given the uncertainties associated with these possible implications should a change of ownership occur, the potential effects of the proposed sale indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

1.2 INTANGIBLE ASSETS AND AMORTISATION

Intangible assets include costs in respect of developing an Enterprise Resource Planning (ERP) system.

The ERP system is being implemented throughout the Arriva group by way of a phased integration, with some elements of this system still going through the development stage. Amortisation has been charged on a straight-line basis over 10 years from the date that each stage goes live.

Amortisation charges are included within administration expenses in the statement of comprehensive income.

**Notes to the financial statements
For the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES (continued)

1.3 TANGIBLE ASSETS

Tangible assets are stated at cost less accumulated depreciation.

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 bases:

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

Freehold land is not depreciated.

1.4 INVESTMENTS

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

1.5 DEBTORS

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

Trade and other debtors are considered to be impaired when there is objective evidence that the estimated future cash flows associated with the asset have been affected.

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

1.6 CASH

Cash balances comprise cash in hand and all bank balances and are stated in the balance sheet at fair value. The company does not hold any cash equivalents.

**Notes to the financial statements
For the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES (continued)

1.7 CREDITORS

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

1.8 INTEREST-BEARING BORROWINGS

All loans and borrowings are initially recognised at cost being the net fair value of the consideration received. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

1.9 PENSIONS

During the year the company operated a contract based pension scheme. The pension charge represents the amounts payable by the company to the scheme 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 the Arriva Pension Scheme which is a defined benefit pension scheme.

The company is also deemed to be the principal employer of the Arriva Passenger Services National Pension Scheme (APSNPS) and the Arriva Passenger Services Pension Plan (APSPP) and they are also recognised within the financial statements.

The amount recognised in the balance sheet in respect of the company's defined benefit pension schemes is the fair value of the scheme assets at the balance sheet date less the present value of the defined benefit obligations. The defined benefit obligations are 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 obligations 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 obligations. The cost of providing future benefits (service cost) is charged to comprehensive income as required. The return on scheme assets and interest obligation on scheme liabilities is included in other finance charges. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period they arise.

**Notes to the financial statements
For the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES (continued)**1.10 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 at 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 instrument have an impact on the statement of comprehensive income or the transaction expires.

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

For each fuel hedge contract in place, Arriva plc has entered into corresponding back to back agreements on equal and opposite terms with the operating companies who use the fuel to which the contracts relate. As a result, fuel hedges have no impact on total comprehensive income.

1.11 EXCEPTIONAL ITEMS

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or nature.

**Notes to the financial statements
For the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES (continued)

1.12 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- IFRS 7 Financial Instruments: Disclosures
- IFRS 13 Fair Value Measurement – Disclosure of valuation techniques and inputs
- IFRS 15 Revenue from Contracts with Customers: Disclosures
- IAS 1 Presentation of Financial Statements – Comparative information in respect of reconciliations of amounts at the beginning and at the end of the period for the number of shares outstanding and carrying values for property, plant and equipment, intangible assets and investment property
- IAS 1 Presentation of Financial Statements – Statement of cash flows, statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, statement of compliance with all IFRS, additional comparative information, requirements for a third statement of financial position and capital management disclosures
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting policies, changes in accounting estimates and errors – Disclosure of information when an entity has not applied a new IFRS that has been issued, but is not yet effective
- IAS 24 Related Party Disclosures – Key management compensation disclosure, related party transactions entered into between two or more members of a group
- IAS 36 Impairment of Assets – Disclosures in respect of cash generating units

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 EU, 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.

**Notes to the financial statements
For the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES (continued)

1.13 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.

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.

1.14 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 statement of comprehensive income.

**Notes to the financial statements
For the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES (continued)

1.15 DIVIDEND INCOME AND PAYMENTS

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

1.16 DEFERRED INCOME

Deferred income relates to licences issued by the company to subsidiaries for the use of the Arriva brand and is recognised in the statement of comprehensive income over the licence period of up to 15 years.

1.17 OTHER OPERATING INCOME

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

1.18 OPERATING LEASES

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

2. GENERAL INFORMATION

The company is an unlisted public limited company, incorporated and domiciled in the United Kingdom.

The company number is 347103 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

**Notes to the financial statements
For the Year Ended 31 December 2018**

3: 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.

3.1 Useful economic lives of intangible assets (estimates)

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives of the intangible assets. The useful economic lives are reassessed annually to reflect current estimates. See Note 14 for the carrying amount of the intangible fixed assets and Note 1.2 for the useful economic lives of each class of assets.

3.2 Useful economic lives of tangible assets (estimates)

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 where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 15 for the carrying amount of the tangible assets and Note 1.3 for the useful economic lives of each class of assets.

3.3 Impairment of debtors (estimates)

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

3.4 Defined benefit pension schemes (estimates and judgements)

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors, including; life expectancy, future salary increases, inflation, future pension increases and the discount rate on corporate bonds. Management, in conjunction with group actuaries, use these factors in determining the net pensions obligation in the balance sheet. The assumptions reflect historical experience and current trends. See Note 24 for the disclosures relating to the defined benefit pension schemes.

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

4. EXCEPTIONAL ITEMS

	2018 £000	2017 £000
Guaranteed Minimum Pension adjustment	(25,701)	-
	<u>(25,701)</u>	<u>-</u>

On 26 October 2018, the High Court of Justice of England and Wales issued a judgement in a claim by Lloyds Banking Group Pension Trustees Limited as claimant to Lloyds Bank plc and others as defendants regarding the rights of female members of certain pension schemes to equality of treatment in relation to pension benefits. The judgement concluded that the claimant is under a duty to amend the schemes in order to equalise benefits for men and women in relation to Guaranteed Minimum Pension (GMP) benefits. The estimated increase in IAS 19 liabilities as a result of the High Court judgement has been recorded as a past service cost of £25,701,000.

5. OPERATING LOSS

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

	2018 £000	2017 £000
Depreciation of tangible assets	641	485
Amortisation of intangible assets	3,987	2,184
Profit on disposal of fixed assets	(1,301)	-
Operating lease rentals		
- other lease payments	331	460
- land and buildings	166	387
	<u>331</u>	<u>460</u>
	<u>166</u>	<u>387</u>

ARRIVA PLC

**Notes to the financial statements
For the Year Ended 31 December 2018**

6. AUDITORS' REMUNERATION

Fees payable to the company's auditors in respect of the audit of the financial statements and for other services provided to the company are as follows:

	2018 £000	2017 £000
Fees for the audit of the company	53	42
Other fees payable	111	113
	164	155

7. STAFF COSTS

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	25,732	22,397
Social security costs	2,985	2,955
Other pension costs	(20,273)	235
	8,444	25,587

During 2018 a Pension Increase Exchange liability management exercise was introduced, giving members the option to exchange future pension increases for lump sum payments on retirement which resulted in a credit to other pension costs of £9.4m for the year ending 31 December 2018.

Contributions to the Arriva Passenger Services Pension Plan (APSPP) are also made by other participating employers. The contributions paid by other participating employers during the year totalled £19.2m (2017: £7.0m) and are credited to other pension costs.

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

	2018 No.	2017 No.
Administrative	323	269

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

8. DIRECTORS' EMOLUMENTS

	2018 £000	2017 £000
Aggregate emoluments	2,051	1,791
Company contributions to contract based pension schemes	-	11
	<u>2,051</u>	<u>1,802</u>

Emoluments of the highest paid director were £1,338,000 (2017: £1,082,000).

The value of the company's contributions paid to contract based pension schemes in respect of the highest paid director amounted to £Nil (2017: £11,000).

Excluded from the directors' emoluments above are payments made to former directors totalling £310,020 (2017: £157,000).

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	2017 £000
Interest receivable from group undertakings	78	65
Other interest receivable	3	-
	<u>81</u>	<u>65</u>

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
Other interest payable	26	659
Net exchange loss on foreign currency transactions	9	31
Interest payable to group undertakings	76	29
	<u>111</u>	<u>719</u>

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

11. OTHER FINANCE CHARGES

	2018 £000	2017 £000
Interest income on pension scheme assets (Note 24)	(16,608)	(16,735)
Interest cost on defined benefit obligation (Note 24)	18,565	21,137
Total other finance charges	1,957	4,402

12. DIVIDENDS

	2018 £000	2017 £000
Dividends paid on ordinary shares	44,660	-
	44,660	-

13. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	(6,389)	(7,136)
Adjustments in respect of prior years	820	1,814
Total current tax credit	(5,569)	(5,322)
Deferred tax		
Origination and reversal of timing differences	1,149	(2,459)
Adjustments in respect of prior years	242	(374)
Total deferred tax charge / (credit) (Note 20)	1,391	(2,833)
Total taxation credit on profit on ordinary activities	(4,178)	(8,155)

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

13. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	26,375	13,045
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	5,011	2,511
Effects of:		
Expenses not deductible for tax purposes	380	386
Non-taxable dividend income	(12,596)	(10,203)
Other non-taxable income	(723)	(462)
Adjustments in respect of prior years	1,063	1,440
Non-deductible impairment of fixed asset investment	570	-
Impact of rate change on deferred tax	2,117	(1,827)
Total tax credit for the year	(4,178)	(8,155)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

14. INTANGIBLE ASSETS

	Intangible assets under development £000	Intangible assets £000	Total £000
COST			
At 1 January 2018	14,629	35,295	49,924
Additions	13,318	1,462	14,780
Transfers	(4,983)	4,983	-
At 31 December 2018	22,964	41,740	64,704
AMORTISATION			
At 1 January 2018	-	3,352	3,352
Charge for the year	-	3,987	3,987
At 31 December 2018	-	7,339	7,339
NET BOOK VALUE			
At 31 December 2018	22,964	34,401	57,365
At 31 December 2017	14,629	31,943	46,572

Intangible assets relate to costs for an Enterprise Resource Planning (ERP) system.

The ERP system is being implemented throughout the Arriva group using a phased integration therefore some elements of this project are live and fully implemented with other elements still under development and not yet live.

Amortisation charges relate to intangible assets which are fully operational.

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

15. TANGIBLE ASSETS

	Freehold property £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2018	9,104	3,619	12,723
Additions	-	735	735
Disposals	(645)	(694)	(1,339)
At 31 December 2018	8,459	3,660	12,119
Accumulated depreciation			
At 1 January 2018	3,316	1,503	4,819
Charge for the year	386	255	641
Disposals	(525)	(694)	(1,219)
At 31 December 2018	3,177	1,064	4,241
Net book value			
At 31 December 2018	5,282	2,596	7,878
<i>At 31 December 2017</i>	<i>5,788</i>	<i>2,116</i>	<i>7,904</i>

ARRIVA PLC

**Notes to the financial statements
For the Year Ended 31 December 2018**

16. INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	740,712
Additions	500
At 31 December 2018	741,212
Accumulated impairment	
At 1 January 2018	32,463
Charge for the year	3,000
At 31 December 2018	35,463
Net book value	
At 31 December 2018	705,749
<i>At 31 December 2017</i>	708,249

**Notes to the financial statements
For the Year Ended 31 December 2018**

16. INVESTMENTS (CONTINUED)

During the year, the company invested a further £500,000 in Arriva Insurance Company (Gibraltar) Limited. An impairment charge of £3,000,000 (2017: £Nil) was recognised in relation to the company's investment in Zeta Automotive Limited, to reflect the reduction in the underlying assets of that company.

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

A full list of investments held directly and indirectly in subsidiary companies can be found on pages 29 to 40 with their Registered Offices below:

- 15.1 1 Admiral Way, Doxford International Business Park, Sunderland, UK, SR3 3XP
- 15.2 Suite 913, Europort, Gibraltar
- 15.3 11 Clifton Moor, Business Village, James Nicolson Link, Clifton Moor, York, UK, YO30 4XA
- 15.4 The Ca'D'Oro, 45 Gordon Street, Glasgow, Scotland, G1 3PE
- 15.5 Via Trebazio, 1, 20145, Milano, Italy
- 15.6 Piazza Marconi, 4, 24122, Bergamo, Italy
- 15.7 Via Cassala, 3, 25126, Brescia, Italy
- 15.8 Via del Patidov 13, 33100, Udine (UD) Italy
- 15.9 Via della Repubblica, 14, 10095, Grugliasco (TO), Italy
- 15.10 Via Postumia, 102, 26100, Cremona, Italy
- 15.11 Via Foro, Boario, 4 B, 25124, Brescia, Italy
- 15.12 Strada Pont, Suaz, 6, 11100, Aosta, Italy
- 15.13 Mileparken 12 A, 2740 Skovlunde Denmark
- 15.14 Liljeholmsstranden 5, 117 43, Stockholm, Sweden
- 15.15 Bornholmstraat 60, 9723 AZ, Groningen, Netherlands
- 15.16 Rua Marcos de Portugal, Laranjeiro, 2810-260, Almada, Portugal
- 15.17 Rua das Arcas, Pinheiro, Guimaraes, 4810-647, Pinheiro, GMR, Portugal
- 15.18 Estacao Central de Camionagem, Vila Nova de Famalicao, 4760-012, Portugal
- 15.19 C/Jose Abascal 45, PPAL DCHA 28003, Madrid, Spain
- 15.20 C/Ibiza No. 15, 07400 Alcudia, Mallorca, Spain
- 15.21 Pol. Ind. Pocomaco, Avda. Quinta, Parcel E-16 15/90, A.Coruna, Spain
- 15.22 Paseo de la Estacion s/n, 15405, Ferrol, Spain
- 15.23 C/Fraguas No. 27, Pol. Ind. Urtinsa 28923, Alcorcon. Madrid Spain
- 15.24 27-31 Andor Street, Budapest, HU-1119, Hungary
- 15.25 Lastomirska c.1, 071 80, Michalovce, Slovakia, Hungary
- 15.26 Povazska 2, 940 14 Nove, Zamky, Slovakia, Hungary
- 15.27 Bratislavska cesta 1804, 945 01, Komarno, Slovakia, Hungary
- 15.28 Sturova 72, 949 44 Nitra, Slovakia
- 15.29 Bystricka cesta 62, 034 01, Ruzomberok, Slovakia
- 15.30 Nitrianska 5, 917 02, Trnava, Slovakia
- 15.31 Krizikova 148/34, 186 00, Praha 8, Czech Republika
- 15.32 Vitkovicka 3133/5, 702 00, Ostrava, Moravska Ostrava, Czech Republic
- 15.33 Na Ostrove 177, 537 01, Chrudim, Czech Republic
- 15.34 Pod Hajem 97, 267 01 Kraluv, Dvur, Czech Republic
- 15.35 Zeleznicar 885, 272 80, Kladno - Krocehlavy, Czech Republic
- 15.36 Wspolna 47/49 str, 00-684 Warsaw, Poland
- 15.37 Gen.Jana Henryka Dabrowskiego 8/24 str. 87-100 Torun, Poland
- 15.38 Mose Pijade 9, Pozarevac, Serbia
- 15.39 Kolodvorska 11, SI-6000, Koper, Slovenia
- 15.40 Meljska cesta 97, SI-2000, Maribor, Slovenia
- 15.41 Ulica Mirka, Vahnova 8, SI-4000, Kranj, Slovenia
- 15.42 Cesta marsala Tita, 67 SI-4270, Jesenice, Slovenia
- 15.43 Perovo 30, SI-1241, Kamnik, Slovenia
- 15.44 Sv. L.B Mandica 33, 31000 Osijek, Croatia (Hrvatska)

**Notes to the financial statements
For the Year Ended 31 December 2018**

16. INVESTMENTS (CONTINUED)

- 15.45 Bucharest, 3 Delea Noua St, Ground Floor, sector 3, Romania
 15.46 Dubai Airport free zone, PO Box 372017, Dubai
 15.47 U Stavorservisu 692/1b, Malesice, 108 00 Praha 10
 15.48 Setaliste 20. travnja 18, 51557 Cres, Croatia (Hrvatska)
 15.49 Jure Turica 8, 53000 Gospic
 15.50 Hanloch, Hans-Bockler-Str.55, Hassloch, 67454
 15.51 Industrijska 14, 34000 Pozega, Croatia (Hrvatska)
 15.52 Prilaz V. Holjevca 2, 47000 Karlovac, Croatia (Hrvatska)
 15.53 Trg 133. brigade HV - a 2, 53220 Otocac
 15.54 Szekesfehervar, Berenyi ut 72-100/63, 8000 Hungary
 15.55 119 Budapest, Andor utca, 27-31

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company as at the balance sheet date:

Name	Address of registered office	Class of shares	Holding	Principal activity
TGM (Holdings) Limited	15.1	Ordinary	100 %	Dormant company
Arriva UK Bus Investments Limited	15.1	Ordinary	100 %	Investment company
Arriva Motor Holdings Limited	15.1	Ordinary	100 %	Dormant company
MTL Services Limited	15.1	Ordinary	100 %	Investment company
Arriva International Limited	15.1	Ordinary	100 %	Investment company
Arriva Insurance Company (Gibraltar) Limited	15.2	Ordinary	100 %	Insurance services
Zeta Automotive Limited	15.1	Ordinary	51 %	Automotive technology company
Arriva Trustee Company Limited	15.1	Ordinary	100 %	Dormant company
TGM Operations Limited	15.3	Ordinary (indirectly held)	100 %	Dissolved 12 January 2019
Classic Coaches (Continental) Limited	15.1	Ordinary (indirectly held)	100 %	Dormant company
Network Colchester Limited	15.3	Ordinary (indirectly held)	100 %	Dissolved 12 January 2019

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

TGM Services Limited	15.3	Ordinary (indirectly held)	100 % Dissolved 12 January 2019
TGMGroup Limited	15.1	Ordinary (indirectly held)	100 % Rental company
Arriva International (Northern Europe) Limited	15.1	Ordinary (indirectly held)	100 % Holding company
Arriva International (Southern Europe) Limited	15.1	Ordinary (indirectly held)	100 % Holding company
Arriva International Trains (Leasing) Limited	15.1	Ordinary (indirectly held)	100 % Leasing company
Arriva Bus Abu Dhabi Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva UK Trains Limited	15.1	Ordinary (indirectly held)	100 % Investment company
Arriva Trains Holdings Limited	15.1	Ordinary (indirectly held)	100 % Holding company / leasing company
Arriva Trains Wales / Trenau Arriva Cymru Limited	15.1	Ordinary (indirectly held)	100 % Passenger rail services to 14 October 2018
XC Trains Limited	15.1	Ordinary (indirectly held)	100 % Passenger rail services
At Seat Catering (2003) Limited	15.1	Ordinary (indirectly held)	100 % On-board catering services to 14 October 2018
Grand Central Railway Company Limited	15.1	Ordinary (indirectly held)	100 % Passenger rail services
London and North Western Railway Company Limited	15.1	Ordinary (indirectly held)	100 % Service, repair and maintenance of trains
Alliance Rail Holdings Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva Rail North Limited	15.1	Ordinary (indirectly held)	100 % Passenger rail services

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

Arriva Rail East Midlands Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva South Eastern Rail Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Great North Western Railway Company Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva Rail London Limited	15.1	Ordinary (indirectly held)	100 % Passenger rail services
Arriva Rail XC Limited (formerly Arriva Rail Wales/Rheilffyrdd Arriva Cymru Limited)	15.1	Ordinary (indirectly held)	100 % Dormant company
M40 Trains Limited	15.1	Ordinary (indirectly held)	100 % Holding company / leasing company
DB Regio Tyne and Wear Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
The Chiltern Railway Company Limited	15.1	Ordinary (indirectly held)	100 % Passenger rail services
Arriva UK Bus Holdings Limited	15.1	Ordinary (indirectly held)	100 % Holding company
Arriva Passenger Services Pension Trustees Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Centrebus Holdings Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Yorkshire Tiger Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Teamdeck Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
White Rose Bus Company Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva Finance Lease Limited	15.1	Ordinary (indirectly held)	100 % Dormant company

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

00741078 Limited	15.1	Ordinary (indirectly held)	100 % Other discontinued operations
Transcare Solutions Limited	15.1	Ordinary (indirectly held)	100 % Insurance claim handling
Arriva Yorkshire Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva Durham County Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva Transport Solutions Limited	15.1	Ordinary (indirectly held)	100 % Non-emergency patient transport
Ambuline Limited	15.1	Ordinary (indirectly held)	100 % Non-emergency patient transport
Arriva Midlands Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Stevensons of Uttoxeter Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva Midlands North Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva Cymru Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva Kent & Surrey Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
APS (Leasing) Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva London North Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva London South Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva North West Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva Kent Thameside Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

Arriva Bus & Coach Holdings Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva Bus & Coach Limited	15.1	Ordinary (indirectly held)	100 % Distribution, rental and finance of buses and coaches
Premier Buses Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva Northumbria Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva the Shires Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva UK Bus Limited	15.1	Ordinary (indirectly held)	100 % Administration & management services
Arriva UK Bus Properties Limited	15.1	Ordinary (indirectly held)	100 % Property holding company
Arriva Merseyside Limited	15.1	Ordinary (indirectly held)	100 % Passenger transport
Arriva North East Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva Manchester Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva East Herts & Essex Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva Scotland West Limited	15.4	Ordinary (indirectly held)	100 % Dormant company
Arriva Liverpool Limited	15.3	Ordinary (indirectly held)	100 % Dissolved 12 January 2019
Arriva West Sussex Limited	15.3	Ordinary (indirectly held)	100 % Dissolved 12 January 2019
Greenline Travel Limited	15.1	Ordinary (indirectly held)	100 % Dormant company

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

Great North Eastern Railway Company Limited	15.1	Ordinary (indirectly held)	100 % Dormant company
Arriva Danmark A/S	15.13	Ordinary (indirectly held)	100 % Passenger transport, vehicle maintenance and property rental
Arriva Service A/S	15.13	Ordinary (indirectly held)	100 % Passenger transport
Arriva Insurance A/S	15.13	Ordinary (indirectly held)	100 % Insurance
Arriva Letbane ApS	15.13	Ordinary (indirectly held)	100 % Passenger transport
Arriva Tog A/S	15.13	Ordinary (indirectly held)	100 % Passenger transport, vehicle maintenance and property rental
BUSDAN 36 ApS	15.13	Ordinary (indirectly held)	100 % Vehicle leasing
BUSDAN 37 ApS	15.13	Ordinary (indirectly held)	100 % Vehicle leasing
BUSDAN 38 ApS	15.13	Ordinary (indirectly held)	100 % Vehicle leasing
Busdan 32.1 A/S	15.13	Ordinary (indirectly held)	100 % Passenger transport
BUSDAN 39 ApS	15.13	Ordinary (indirectly held)	100 % Vehicle leasing
BUSDAN 34 ApS	15.13	Ordinary (indirectly held)	100 % Vehicle leasing
BUSDAN 35 ApS	15.13	Ordinary (indirectly held)	100 % Vehicle leasing
UCPLUS A/S	15.13	Ordinary (indirectly held)	100 % Driver training
Arriva Finance Holding B.V.	15.15	Ordinary (indirectly held)	100 % Investment company
Arriva Stredni Cechy s.r.o.	15.34	Ordinary (indirectly held)	100 % Passenger transport

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

Arriva vlaky s.r.o.	15.31	Ordinary (indirectly held)	100 % Passenger transport
Arriva Hongarije Holding BV	15.15	Ordinary (indirectly held)	100 % Investment company
Arriva Hungary Zrt.	15.24	Ordinary (indirectly held)	100 % Holding company
Arriva Service s.r.o.	15.27	Ordinary (indirectly held)	100 % Service provider
ARRIVA Nove Zamky, a.s.	15.26	Ordinary (indirectly held)	60.36 % Passenger transport
ARRIVA Michalovce, a.s.	15.25	Ordinary (indirectly held)	60.14 % Passenger transport
Arriva Personenvervoer Nederland BV	15.15	Ordinary (indirectly held)	100 % Passenger transport
Arriva Multimodaal BV	15.15	Ordinary (indirectly held)	100 % Employment services
Arriva Techniek BV	15.15	Ordinary (indirectly held)	100 % Vehicle maintenance
Arriva Touring BV	15.15	Ordinary (indirectly held)	100 % Passenger transport
NV Personeel de Noord- Westhoek	15.15	Ordinary (indirectly held)	100 % Employment services
Arriva Polen Holding B.V.	15.15	Ordinary (indirectly held)	100 % Investment company
Arriva Polska Sp. z.o.o.	15.36	Ordinary (indirectly held)	100 % Passenger transport
Arriva Zuid Europa Holding B.V.	15.15	Ordinary (indirectly held)	100 % Investment company
ARRIVA INVESTIMENTOS SGPS, SA	15.16	Ordinary (indirectly held)	100 % Investment company

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

ARRIVA LISBOA TRANSPORTES SA	15.16	Ordinary (indirectly held)	100 % Dormant company
ARRIVA TRANSPORTES DA MARGEM SUL, SA	15.16	Ordinary (indirectly held)	100 % Investment company
Transportes Sul do Tejo S.A.	15.16	Ordinary (indirectly held)	100 % Passenger transport
ARRIVA PORTUGAL - TRANSPORTES LDA	15.17	Ordinary (indirectly held)	100 % Passenger transport
TRANSURBANOS DE GUIMARAES TP, LDA	15.17	Ordinary (indirectly held)	100 % Passenger transport
TUF - TRANSPORTES URBANOS DE FAMALICAO, LDA	15.18	Ordinary (indirectly held)	66.67 % Passenger transport
Arriva Italia s.r.l.	15.5	Ordinary (indirectly held)	100 % Holding company
Arriva Italia Rail S.R.L.	15.5	Ordinary (indirectly held)	100 % Passenger transport
S.A.B. AUTOSERVIZI S.R.L.	15.6	Ordinary (indirectly held)	100 % Passenger transport
Bergamo Trasporti Est S.c.a.r.l	15.6	Ordinary (indirectly held)	93.67 % Passenger transport
S.I.A Societa Italiana Autoservizi S.P.A.	15.7	Ordinary (indirectly held)	100 % Passenger transport
Trasporti Brescia Nord S.c.a.r.l.	15.7	Ordinary (indirectly held)	92 % Passenger transport
SAB Piemonte S.r.l. a socio unico	15.9	Ordinary (indirectly held)	100 % Investment company
SADEM - SOCIETA PER AZIONO	15.9	Ordinary (indirectly held)	100 % Passenger transport
Trasporti Brescia Sud S.c.a.r.l	15.11	Ordinary (indirectly held)	93 % Passenger transport

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

Autoservizi F.V.G S.P.A - SAF	15.8	Ordinary (indirectly held)	60 % Passenger transport
KM S.P.A	15.10	Ordinary (indirectly held)	100 % Passenger transport
Bergamo Trasporti Ovest S.c.a.r.l	15.6	Ordinary (indirectly held)	65.76 % Passenger transport
Lecco Trasporti S.c.a.r.l	15.6	Ordinary (indirectly held)	56.94 % Passenger transport
ACTIJOVEN CONSULTING & TRAVELLING s.l.	15.23	Ordinary (indirectly held)	100 % Consulting company
Arriva Alpetour druzba za prevoz potnikov, d.o.o. (formerly Alpetour, Potovalna agencija d.o.o.)	15.41	Ordinary (indirectly held)	100 % Passenger transport
Arriva Bus Transport Polska Sp z.o.o.	15.37	Ordinary (indirectly held)	99.8 % Passenger transport
Arriva Dolenjska in Primorska, druzba za prevoz potnikov, d.o.o.	15.39	Ordinary (indirectly held)	99.95 % Passenger transport
Arriva Hrvatska d.o.o.	15.44	Ordinary (indirectly held)	100 % Investment company
Arriva Liorbus a.s.	15.29	Ordinary (indirectly held)	60.42 % Passenger transport
Arriva LITAS d.o.o.	15.38	Ordinary (indirectly held)	100 % Passenger transport
Arriva Middle East FZE	15.46	Ordinary (indirectly held)	100 % Passenger transport
Arriva Morava a.s.	15.32	Ordinary (indirectly held)	100 % Passenger transport
Arriva Nitra a.s.	15.28	Ordinary (indirectly held)	60.48 % Passenger transport

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

Arriva Ostgotapendeln AB	15.14	Ordinary (indirectly held)	100 % Passenger transport
Arriva RP Sp z.o.o.	15.37	Ordinary (indirectly held)	100 % Passenger transport
Arriva Services a.s.	15.34	Ordinary (indirectly held)	100 % Passenger transport
Arriva Slovakia a.s.	15.28	Ordinary (indirectly held)	100 % Administration and management services
ARRIVA SPAIN HOLDING S.L	15.19	Ordinary (indirectly held)	100 % Passenger transport
Arriva Spain Rail S.A	15.19	Ordinary (indirectly held)	100 % Passenger transport
Arriva Stajerska, družba za prevoz potnikov, d.d.	15.40	Ordinary (indirectly held)	75.90 % Passenger transport
Arriva Sverige AB	15.14	Ordinary (indirectly held)	100 % Passenger transport
Arriva Sverige Buss Regional AB	15.14	Ordinary (indirectly held)	100 % Passenger transport
Arriva Tag AB	15.14	Ordinary (indirectly held)	100 % Passenger transport
Arriva Transport Ceska Republika a.s	15.31	Ordinary (indirectly held)	100 % Administration and management services
Arriva Trnava a.s.	15.30	Ordinary (indirectly held)	60.50 % Passenger transport
Arriva Vychodni Cechy a.s.	15.33	Ordinary (indirectly held)	100 % Passenger transport
Arriva Viajes Agencia Operadora SLU	15.23	Ordinary (indirectly held)	100 % Travel company
Autocares Mallorca, s.l.	15.20	Ordinary (indirectly held)	100 % Passenger transport

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

Autos Carballo, S.L.	15.21	Ordinary (indirectly held)	100 % Passenger transport
Botniatag AB	15.14	Ordinary (indirectly held)	60 % Passenger transport
Bus Nort Balear s.l.	15.20	Ordinary (indirectly held)	100 % Passenger transport
CSAD MHD Kladno a.s.	15.35	Ordinary (indirectly held)	100 % Passenger transport
EMPRESA DE BLAS Y COMPANIA S.A.	15.23	Ordinary (indirectly held)	100 % Passenger transport
ESFERA BUS S.L.	15.23	Ordinary (indirectly held)	100 % Passenger transport
Arriva Madrid Movilidad SLU	15.23	Ordinary (indirectly held)	100 % Holding company
Estacion de autobuses de Ferrol S.A.	15.22	Ordinary (indirectly held)	80.40 % Passenger transport
Integral Avto prodaja, servisi in technicni pregledi vozil d.o.o.	15.42	Ordinary (indirectly held)	100 % Vehicle maintenance and retail
Arriva Kam-Bus, druzba za prevoz potnikov, d.o.o. (formerly KAM-BUS druzba za potnikov, turizem in vzdrzevanje vozil z.o.o.)	15.43	Ordinary (indirectly held)	100 % Passenger transport
KD SERVIS a.s.	15.35	Ordinary (indirectly held)	100 % Passenger transport
NETOSEC S.L.	15.23	Ordinary (indirectly held)	100 % Vehicle maintenance
Panturist dionicko drustvo za prijevoz putnika i turizam d.d.	15.44	Ordinary (indirectly held)	99.88 % Passenger transport
SAD INVEST, S.r.o.	15.30	Ordinary (indirectly held)	60.50 % Passenger transport

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

16. INVESTMENTS (CONTINUED)

Arriva Metropolitana SLU	15.21	Ordinary (indirectly held)	100 % Passenger transport
SAVDA Autoservizi Valle d'Aosta S.p.A.	15.12	Ordinary (indirectly held)	100 % Passenger transport
Arriva Trains Romania SRL	15.45	Ordinary (indirectly held)	100 % Leasing company
Arriva Mobility Solutions, s.r.o	15.28	Ordinary (indirectly held)	100 % Administrative and management services
Arriva City s.r.o.	15.47	Ordinary (indirectly held)	100 % Passenger transport
Arriva Galicia S.L.	15.21	Ordinary (indirectly held)	100 % Passenger transport
Autotrans d.d.	15.48	Ordinary (indirectly held)	81.11 % Passenger transport
Velebit Turist d.o.o.	15.49	Ordinary (indirectly held)	81.11 % Passenger transport
PAA Pan Alpen Adria Internationale Personenverkehrssysteme	15.50	Ordinary (indirectly held)	81.11 % In liquidation
Autobusni Kolodovr d.o.o.	15.52	Ordinary (indirectly held)	75.44 % Passenger transport
Autoprometno proizvede d.d.	15.51	Ordinary (indirectly held)	72.82 % Passenger transport
Autotrans Lika d.d.	15.53	Ordinary (indirectly held)	64.43 % Passenger transport
VT-ARRIVA Szemelyszallito es	15.54	Ordinary (indirectly held)	51 % Passenger transport
BUS Service Jarmujavito es	15.55	Ordinary (indirectly held)	100 % Vehicle repair and maintenance

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

17. DEBTORS

	2018 £000	2017 £000
Amounts falling due after more than one year		
Amounts owed by group undertakings	3,884	18,092
Derivative financial instruments (Note 21)	28,181	31,075
	<u>32,065</u>	<u>49,167</u>

	2018 £000	2017 £000
Amounts falling due within one year		
Trade debtors	18	18
Amounts owed by group undertakings	72,666	67,218
Other debtors	9,870	7,053
Prepayments and accrued income	10,823	10,715
Group relief receivable	-	1,814
Deferred taxation (Note 20)	32,396	16,543
Derivative financial instruments (Note 21)	12,962	15,856
	<u>138,735</u>	<u>119,217</u>

18. CREDITORS: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	3,256	3,045
Amounts owed to group undertakings	10,032	-
Group relief payable	12,047	-
Other taxation and social security	2,275	1,923
Other creditors	1,964	1,889
Accruals and deferred income	25,357	29,044
Derivative financial instruments (Note 21)	12,962	15,856
	<u>67,893</u>	<u>51,757</u>

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

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

	2018 £000	2017 £000
Amounts owed to group undertakings	95,341	103,248
Accruals and deferred income	9,716	11,862
Derivative financial instruments (Note 21)	28,181	31,075
	<u>133,238</u>	<u>146,185</u>

20. DEFERRED TAX ASSET

	2018 £000	2017 £000
At 1 January	16,543	29,971
(Charged) / credited to comprehensive income (Note 13)	(1,391)	2,833
Credited / (charged) to other comprehensive income	17,244	(16,261)
At 31 December	<u>32,396</u>	<u>16,543</u>

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Difference between capital allowances and depreciation	(663)	(538)
Pension deficit	29,742	13,774
Other timing differences	3,317	3,307
	<u>32,396</u>	<u>16,543</u>

**Notes to the financial statements
For the Year Ended 31 December 2018**

21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments relate to cash flow hedges which are valued on a marked to market basis at the balance sheet date. Fuel price hedging has been entered into with the intention to reduce price fluctuations attributable to fuel sourcing.

As noted in the accounting policies (Note 1.10), corresponding back to back agreements are in place for each fuel hedge on equal and opposite terms.

The amounts recognised within the financial statements are as follows:

	2018	2017
	£000	£000
Debtors: Amounts falling due after more than one year	28,181	31,075
Debtors: Amounts falling due within one year	12,962	15,856
Creditors: Amounts falling due within one year	(12,962)	(15,856)
Creditors: Amounts falling due after more than one year	(28,181)	(31,075)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

22. 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 company 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.

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

23. CALLED UP SHARE CAPITAL

	2018 £000	2017 £000
Allotted, called up and fully paid		
204,390,900 Ordinary shares of £0.05 each (2017: 204,390,900)	10,220	10,220

24. PENSION COMMITMENTS

At 31 December 2018 the company operated a defined benefit scheme, the Arriva Pension Scheme, which is financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees. The company also operates a contract based pension scheme. The company is also deemed to be the principal employer for the Arriva Passenger Services National Pension Scheme (APSNPS) and the Arriva Passenger Services Pension Plan (APSPP), which are also recognised within the financial statements. 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 £6.6 million (2017: £4.3 million cost). The pension costs in respect of the company's contract based pension scheme were £0.8 million (2017: £0.3 million) and there were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

IAS 19 'Employee Benefits' (revised 2011)

The calculations used to assess the IAS 19 'Employee Benefits' (revised 2011) of the retirement benefit scheme are based on the most recent actuarial valuations, updated to 31 December 2018 by qualified independent actuaries, Willis Towers Watson Plc. The schemes assets are stated at their market value at 31 December 2018.

The amounts recognised in the balance sheet are as follows:

	2018 £000	2017 £000
Present value of funded obligations	(792,625)	(728,268)
Fair value of scheme assets	617,670	647,245
Pension deficit (net)	(174,955)	(81,023)

The net pension deficit is split between pension schemes in surplus of £16,000 and pension schemes in deficit of £174,971,000, as at 31 December 2018 (2017: pension surplus of £4,615,000 and pension deficit of £85,638,000).

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

24. PENSION COMMITMENTS (continued)

The amounts recognised in the statement of comprehensive income are as follows:

	2018 £000	2017 £000
Current service cost	(4,496)	(4,695)
Interest cost on defined benefit obligation (Note 11)	(18,565)	(21,137)
Interest income on pension scheme assets (Note 11)	16,608	16,735
Pension administration charges - paid by the company	(316)	(363)
Pension administration charges - paid by the schemes	(2,791)	(2,817)
Past service credit	9,400	1,026
Contributions paid by other participating employers	19,234	6,959
Guaranteed Minimum Pension adjustment (Note 4)	(25,701)	-
	<u>(6,627)</u>	<u>(4,292)</u>
Actual (loss) / return on scheme assets	<u>(27,292)</u>	<u>59,455</u>

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

	2018 £000	2017 £000
Opening defined benefit obligation	728,268	768,133
Current service cost	4,496	4,695
Interest cost on defined benefit obligation	18,565	21,137
Actuarial loss / (gain)	45,680	(41,752)
Past service credit	(9,400)	(1,026)
Guaranteed Minimum Pension adjustment (Note 4)	25,701	-
Benefits paid	(26,653)	(28,448)
Member contributions paid	5,968	5,529
	<u>792,625</u>	<u>728,268</u>

The estimated increase in IAS 19 liabilities as a result of a High Court judgement has been recorded as a past service cost of £25,701,000 (Note 4) for the Guaranteed Minimum Pension (GMP) benefits.

A Pension Increase Exchange liability management exercise was introduced during 2018, giving members the option to exchange future pension increases for lump sum payments on retirement which resulted in a credit of £9.4m for the year ending 31 December 2018.

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

24. PENSION COMMITMENTS (continued)

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

	2018 £000	2017 £000
Opening fair value of pension scheme assets	647,245	604,779
Interest income on pension scheme assets	16,608	16,735
Return on pension scheme assets (excluding interest)	(43,900)	42,720
Employer contributions	21,193	8,747
Member contributions	5,968	5,529
Pension administration charges	(2,791)	(2,817)
Benefits paid	(26,653)	(28,448)
	<u>617,670</u>	<u>647,245</u>

The cumulative amount of actuarial gains and losses recognised in equity was:

	2018 £000	2017 £000
At 1 January	(94,215)	(178,687)
Actuarial (loss) / gain	(89,580)	84,472
At 31 December	<u>(183,795)</u>	<u>(94,215)</u>

The company and participating employers expect to contribute £31.2 million to the defined benefit pension schemes in 2019.

Principal actuarial assumptions at the balance sheet date:

	2018 %	2017 %
Discount rate	2.8	2.6
Rate of increase in deferred pensions	2.3	2.3
Future salary increases	1.0	1.0
Future pension increases (Arriva Passenger Services National Pension scheme)	2.0	2.0
Inflation rate	3.3	3.3

Future pension increases for the Arriva Pension Scheme and Arriva Passenger Services Pension Plan were 3.1%, as in 2017.

The average life expectancy for members aged 65 are male: 20 years (2017: 19 years) and female: 22 years (2017: 21 years). The average life expectancy at 65 for members aged 45 are male: 22 years (2017: 21 years) and female: 24 years (2017: 23 years).

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2018

24. PENSION COMMITMENTS (continued)

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

	2018 %	2017 %
Equities	61.8	70.6
Bonds	22.1	16.3
Other	16.1	13.1

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

	2018 £000	2017 £000
Defined benefit obligation	(792,625)	(728,268)
Pension scheme assets	<u>617,670</u>	<u>647,245</u>
Pension deficit (net)	<u>(174,955)</u>	<u>(81,023)</u>
Experience adjustments on scheme liabilities	36,062	(58,875)
Demographic assumptions on scheme liabilities	36,218	(7,111)
Financial assumptions on scheme liabilities	(26,600)	24,234

The sensitivity analysis for the (increase) / decrease in the defined benefit obligation balance is as follows:

	2018 £000	2017 £000
Calculated with +1% discount rate	123,322	112,978
Calculated with -1% discount rate	(147,998)	(135,446)
Calculated with +1% inflation rate	(53,096)	(49,696)
Calculated with -1% inflation rate	50,159	46,901
Calculated with +0.5% pension increase rate	(27,044)	(24,909)
Calculated with increased expectation of life of 1 year	(19,023)	(24,791)

At 31 December 2018, the weighted average remaining duration/maturity of the defined benefit obligation was 17 years for the Arriva Pension Scheme, 28 years for the Arriva Passenger Services National Pension Scheme and 17 years for the Arriva Passenger Services Pension Plan.

ARRIVA PLC

**Notes to the financial statements
For the Year Ended 31 December 2018**

25. OPERATING LEASE COMMITMENTS

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	321	565
Later than 1 year and not later than 5 years	743	1,113
Later than 5 years	1,377	1,620
	<u>2,441</u>	<u>3,298</u>

26. ULTIMATE PARENT 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 and smallest group to consolidate the financial statements of Arriva plc.

The immediate parent company is DB (UK) Investments Limited.

Information on Arriva plc can be obtained from the 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 IAS 24 'Related party disclosures' for wholly-owned subsidiaries.

27. POST BALANCE SHEET EVENT

In May 2019, the company declared and paid a dividend of £47,500,000 to DB (UK) Investments Limited.