Registered number: 00347103

ARRIVA PLC

Annual report and financial statements

For the Year Ended 31 December 2022

Company Information

Directors	L Holle M D Cooper B Boos C Goeseke E Palla I Querner W Bohner R Rohde S Klenke
Company secretary	S B Marshall
Registered number	00347103
Registered office	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Level 5 and 6 Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

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Strategic report
For the Year Ended 31 December 2022

The directors present their Strategic report for the year ended 31 December 2022.

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. The operations of the company and its subsidiaries (the "Arriva group") are structured under 4 divisions: UK Trains; UK Bus; Netherlands; and Mainland Europe (excluding Netherlands).

The Arriva group is part of the Deutsche Bahn AG ("DB") group and is one of the leading passenger transport groups in Europe.

REVIEW OF BUSINESS

The company's statement of comprehensive income on page 30 shows a loss before taxation of £269,494,000 (2021: £88,004,000). The increase in loss for the year primarily arises due to an investment impairment charge in the year of £169,622,000 and an impairment charge to amounts owed from group undertakings of £48,482,000.

As at the balance sheet date the company had net assets of £387,081,000 (2021: £712,169,000). The decrease in net assets is due to the loss for the financial year and impact of actuarial valuations of pension schemes net surplus.

During the year, the company increased existing investments in Arriva International Limited by £125,000,000. This was in order to support a strategic divestment by Arriva International Limited. During the year, the company also increased existing investments in Arriva Insurance Co. Gibraltar Limited by £250,000.

PRINCIPAL AND FINANCIAL RISKS AND UNCERTAINTIES

The company's long-term success is dependent on the success of its subsidiaries. As part of its ongoing risk assessment and management thereof, 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.

PRINCIPAL AND FINANCIAL 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 and local public transport budgets. Changes in these budgets, including those driven by the economic impact of the events in Ukraine, as well as previous impacts from COVID-19, may have a positive or negative impact on the Arriva group's prospects. The Arriva group continues to monitor national and local public transport budgetary policies in the countries where the Arriva group 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 health and safety of passengers and colleagues is the board's upmost priority. The Arriva group oversees that standards are maintained and necessary policies are complied with.

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. It assists the Arriva Management Board and ultimately the Arriva plc board to fulfil their over all responsibilities in relation to health, safety and environmental matters arising from the activities of the group.

Further information on the Arriva Management Board, including its membership and activities, is provided in the Corporate Governance report.

3. COMMERCIAL RISKS

3a. Competitive tenders

Competitive tenders expose Arriva group to a number of challenges, including the need to expend significant resources and incur costs in preparing bids, the risk of reduction of profitability achievable under contracts up for re-tendering and the need to accurately estimate the resources and cost structure that will be required to perform any fixed-price contract that the Arriva group is awarded. Performance under existing contracts, including punctuality, safety, customer satisfaction and complaint levels, may also impact the Arriva group's ability to bid successfully for contracts.

Arriva group bases its bids for contracts on various assumptions and forecasts, including passenger numbers, underlying economic growth (including inflation) and infrastructure improvements. Any inaccuracies in those assumptions or forecasts, including significant unforeseen technical and logistical challenges or a failure by governments to fund infrastructure improvements, could have a material adverse effect on the profitability of such contracts if Arriva group is not able to renegotiate terms.

PRINCIPAL AND FINANCIAL RISKS AND UNCERTAINTIES (CONTINUED)

3. COMMERCIAL RISKS (CONTINUED)

3a. Competitive tenders (continued)
In accordance with delegated authority limits, the Arriva Finance and Investment Committee approves all significant high value tenders and Arriva group utilises standard tender models across the business. Significant bus and train tender contracts are compared with current experience to identify weaknesses and potential improvements in the tender process.

3b. Strategy including acquisitions / divestments

Acquisitions have historically been an important part of Arriva group's strategy, underpinned by the successful integration of acquired businesses, including the ability to manage those operations effectively and to benefit from anticipated cost savings and operating efficiencies.

Anticipated benefits from acquired businesses are subject to a number of assumptions and estimates (which may prove to be incorrect) concerning markets, profitability, growth, interest rates and company and asset valuations. Sale and purchase agreements generally include price adjustment mechanisms and warranties as appropriate to mitigate this risk.

The Arriva group has clearly defined guidelines for due diligence work and approval of acquisitions, and has implemented a governance framework which ensures that decisions, particularly in relation to acquisitions, mergers and tenders, are taken at the most appropriate management level for the Arriva group.

As part of Arriva group's forward-looking strategy to manage a tighter portfolio, during the year the group completed the sale of its operations in Sweden and of the Transportes Sul de Tejo S.A. business to the VR-Group Limited, and Dan Company for Public Transportation Limited respectively. In September 2022, Arriva group entered into an agreement for the sale of its business in Denmark and Serbia, as well as its bus business in Poland to Mutares Holding-55 GmbH. The sale of the businesses in Denmark and Serbia completed in May 2023, and the sale of the Poland Bus business completed in June 2023..

4. FINANCIAL RISKS

4a. Funding and liquidity 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 AG treasury policy.

For further details relating to financial risk management of the Deutsche Bahn AG group, including funding and liquidity management, please refer to the Deutsche Bahn 2022 Integrated Report. (https://ir.deutschebahn.com/en/reports/db-group-and-db-ag/).

4b. Pension risks

Increased retirement benefit obligations in the UK may require additional deficit 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. In 2021, the group closed three of its UK defined pension schemes to future accrual, with the company deemed to be the principal employer of two of the affected schemes. The company also completed a buy-out of its obligations in respect of another UK defined benefit scheme in 2021.

PRINCIPAL AND FINANCIAL RISKS AND UNCERTAINTIES (CONTINUED)

5. COMPLIANCE RISKS

The Arriva board and Arriva Management Board recognise the importance of a strong compliance framework to promote that the Arriva group 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 (including General Data Protection Regulation ('GDPR') requirements), anti-bribery, anti-tax evasion, competition legislation and cyber security. 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

The company is a wholly owned subsidiary of Deutsche Bahn AG and part of the Arriva group which Deutsche Bahn AG heads.

The company is a holding company providing central support services for its subsidiary companies which are the operators of passenger transport services. The vast majority of other operating income earned within this entity comes from other companies within the Arriva group.

The company utilises a credit facility provided by its ultimate parent Deutsche Bahn AG ("DB"). This is a longstanding arrangement operated by DB to manage the liquidity needs of the Arriva group, and the company has been party to this arrangement for several years. As at 31 December 2022 this was £285,000,000 and this has subsequently been increased to £365,000,000 in June 2023. However, as the provision of and amount of the facility is not formally committed for a period of at least 12 months from the date of approval of the financial statements, the facility may not be available or could be withdrawn.

Further, the forecast cash flows prepared by management demonstrate that the current facility limit will be exceeded within the assessment period. No formal application has yet been made to DB to extend the current facility.

The company has several mitigations to manage its cash flows, which include:

- management could reallocate unutilised DB credit facilities across the Arriva group to allow the company to benefit from these unutilised facilities. This would require DB consent, however the directors are confident that as long as the overall debt exposure to Arriva is not increased, that this reallocation would be expected to be approved;
- the ability to extract dividends from various of its subsidiary companies; and
- delaying or curtailing discretionary expenditures on behalf of the company.

Furthermore, as set out in the DB 31 December 2022 annual report, DB plans to divest the Arriva group which could result in a change in ownership of the company within 12 months of the date of approval of these financial statements. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to provide funding to the company.

The directors therefore acknowledge that the combination of these factors represent a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

FUTURE DEVELOPMENTS (CONTINUED)

The directors have prepared the financial statements on a going concern basis as they expect the existing financing will remain in place and management actions over the assessment period will be sufficient to meet the company's funding requirements and therefore the company will continue to operate for the foreseeable future. The directors consider the risk of the facility's withdrawal to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice. Furthermore, the directors consider it highly improbable that additional extensions of the facility will be denied (where extension is required for the company to meet its cash flow requirements).

The financial statements do not contain the adjustments that would arise if the company were unable to continue as a going concern.

On 8 May 2023 the company made an additional investment of €34,292,000 into its subsidiary, Arriva International Limited. This was in order to support a strategic divestment by Arriva International Limited.

SECTION 172 STATEMENT

Summary

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard to (amongst other matters):

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The role of Arriva plc's board of Directors (board) is to be collectively responsible for the Arriva group's long-term sustainable success, providing strategic leadership, direction and governance within a framework of effective controls. In giving due regard to their duties as Directors, the board are mindful of the principal activities of the Arriva group and are particularly focussed on the impact of the company's operations on the community and the environment. The board recognises that it is accountable to its stakeholders for ensuring that the company is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours. The issues and factors which have guided the directors' decisions are outlined in the 'Principal Risks and Uncertainties' section of this report.

Governance

The company's governance structure is set out on pages 22 and 23 of this report and provides clear lines of accountability and responsibility. The day-to-day management of the Arriva group's business and the implementation of the group's strategy is delegated to the Arriva Management Board (AMB). Information communicated to the board by the AMB about employees and the workforce help to inform the board in its decision-making processes.

The board agenda is set in collaboration between the chair of the board, the Arriva group Chief Executive and the Company Secretary. The board's annual rolling agenda ensures that time is balanced between strategy and operational performance, as well as the board's wide-ranging governance and regulatory responsibilities.

SECTION 172 STATEMENT (CONTINUED)

Governance (continued)

To allow directors to utilise their time and skills effectively at board meetings, papers are circulated securely and electronically to all directors a week before each meeting.

The board is supportive of regular director training. With the ever-evolving regulatory and policy landscape in which the Arriva group operates, it is important that the board maintains a good working knowledge of the transport sector and how the Arriva group operates within this sector, as well as being aware of recent and upcoming developments in the wider legal and regulatory environment. To support the board's knowledge and skills, the directors of the board are provided with biennial directors' duties training.

During the year, the board continued to operate in accordance with the Arriva group's Corporate Governance Manual, which includes formal procedures for the working of the board and its committees within the governance framework and delegated authorities.

Directors have access to the advice and services of the group Company Secretary and may also take independent legal and/or financial advice at the group's expense when it is judged necessary in order to discharge their responsibilities effectively.

Principal decisions

Principal decisions are defined by the company as those which impact the long-term sustainable success of the company, or which have a significant effect on the company's stakeholders. Understanding the company's stakeholders and how they and their interests will impact the success of the company over the long-term is a key part of the board decision making in which they are required to consider the future development, performance and position of the Arriva group.

The principal decisions made by the board during the financial year ended 31 December 2022 are detailed below:

Divestment of Arriva group companies in Mainland Europe

A decision to refocus the Arriva group portfolio was taken in 2021, as a result of a strategic review of the Arriva group. This review was carried out between the board and the company's ultimate parent company, Deutsche Bahn. Following careful consideration, the board took the decision to proceed with the divestment of certain Arriva group companies in Sweden, Portugal, Denmark, Serbia and Poland. The decision, whilst difficult to make, was part of the board's forward-looking strategy to manage a tighter portfolio. Key colleagues and third-party advisors were engaged from the outset to provide the board with the information required to make informed decisions, which were both aligned with the Arriva groups strategy and Section 172 of the Companies Act 2006.

In accordance with the Arriva group's Scheme of Delegation, the board were required to engage with Deutsche Bahn AG (DB), Arriva group's ultimate parent company, on a range of matters relating to the divestment of the Arriva group companies, in particular strategic, financial and governance arrangements. Maintaining an open and transparent business relationship with the company's ultimate shareholder and taking on board its views is a key aspect of good corporate governance and supports the company's commitment to ensuring that the long-term success of the company is promoted.

A key priority of the board during the divestment processes was to ensure that its employees were supported through the transition so that they could maintain their focus on delivering the very best services for passengers and client bodies. Colleagues directly impacted by the divestment of the companies' received consultations at a local level, guided by the information provided to them by the board, the AMB and advisors. The wider Arriva group received regular updates on progress through circular Arriva group communication emails.

SECTION 172 STATEMENT (CONTINUED)

Sweden

In March 2022, the company announced that VR-Group Limited, a Finnish company focussing on travel, logistics and maintenance would acquire Arriva Sweden. All employees – around 3,800 - transferred over as part of the transaction, which provided continuity and certainty for Arriva's Swedish employees, passengers and clients alike. The transaction completed in July 2022.

Portugal

In May 2022, the company announced that Dan Company for Public Transportation Limited, Israel's second-largest transport company would acquire Arriva groups bus business in Portugal. The sale included the purchase of Transportes Sul de Tejo S.A. which provided bus services in Lisbon. The transaction completed in December 2022 and all employees transferred over on completion.

Denmark, Serbia and Poland (Bus)

In September 2022, the Arriva group announced that it had entered into an agreement for the sale of its businesses in Denmark and Serbia, as well as its bus business in Poland to Mutares Holding-55 GmbH, an international financial investor.

In May 2023, the company announced that the Arriva group had concluded its sale of its businesses in Denmark and Serbia to Mutares Holding-55 GmbH. The sale of the Poland Bus business completed in June 2023.

Zero Emissions Institute

In September 2022, the company announced the launch of the Arriva group's Zero Emission Institute, a key part of Arriva's journey to net-zero and an integral part of its vision to shape a future where passenger transport is the best choice. The board considered the impact of the company's operations on the community and environment and the long-term sustainability of the company in their decision to introduce a group-wide initiative which aligned with the Arriva group's mission to become the leading passenger transport partner across Europe and to accelerate the company's journey to becoming a climate neutral company.

The creation of the ZE Institute was sponsored by Anne Hettinga, a member of the AMB and Managing Director of Arriva Netherlands. During 2022 Mr. Hettinga provided the board with regular updates on the progress of the sustainability workstream including key governance milestones. The Arriva group's sustainability plan was also presented to the board, which was aligned to the Arriva group's sustainability strategy to 'inspire and promote greener, more connected transport for all and promote a climate neutral business we can be proud of'. The board were supportive of the adoption of the sustainability plan and for its implementation across the Arriva group where the ZE Institute will support business units by sharing internal and external best practice, market intelligence and expertise. The company has also provided colleagues across the Arriva group with regular updates on the progress of the ZE Institute through Arriva group communications emails. Information is also available of the company's website.

Further information on the ZE Institute can be found in the Streamlined Energy and Carbon report on page 17.

In addition to the principal decisions above, other examples of how the board has considered the interests of stakeholders impacted by the business, as well as having regard for the matters set out in Section 172(1) of the Companies Act 2006 are detailed below:

SECTION 172 STATEMENT (CONTINUED)

Topic	Key activity
Strategic matters	• Regularly reviewed performance against the Arriva group's strategy • Received presentations from management and advisors in relation to business strategy and performance • Reviews of M&A and tender pipeline • Reviewed the Arriva group's Sustainability Plan • Oversight of the company's continuing response to the Covid-19 pandemic as the lockdown restrictions were gradually removed across the business
Business performance	• Received regular financial and operational updates from the AMB • Reviewed the Arriva group's treasury arrangements • Approved the annual budget and business plan • Approved the 2021 annual report and financial statements • Monitored the Arriva group's financial performance and financial results
Risk management and internal controls	• Approved a new risk management policy • Reviewed principal risks and emerging risks • Reviewed effectiveness of the Arriva group's systems of internal controls and risk management • Reviewed output of cyber security risk assessment
Legal and governance	• Received and reviewed where appropriate updates on regulatory and governance developments • Reviewed updates to the Arriva Group Corporate Governance Manual and Scheme of Delegation • Approved the company's key policies and procedures
People, culture and Board effectiveness	• Discussed the results of the employee engagement surveys • Received regular updates from the Chief People Officer • Received an update on a new inclusion strategy for the Arriva group • Considered succession planning for the AMB • Undertook a performance review of the AMB's effectiveness

Further information on how the directors have had regard to their duties as a director of the company can be found in the following sections:

Employee engagement and employee initiatives – pages 10 to 13

Engagement with stakeholders – page 14

Streamlined energy and carbon report – pages 15 to 17

Corporate governance report - pages 19 to 25

KEY PERFORMANCE INDICATORS

The Management board of DB, the ultimate parent company, manage the DB 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 the company using any. The development, performance, and position of the DB group, including the company, is discussed in the Deutsche Bahn AG group's Integrated Report which does not form part of this report.

Strategic report (continued)
For the Year Ended 31 December 2022

This report was approved by the board of Arriva plc on 29 June 2023 and signed on behalf of the board.

C Goeseke
Director

Directors' report
For the Year Ended 31 December 2022

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

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £278,112,000 *(2021 : £86,019,000)*.

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

There is no final dividend proposed for 2022 (2021: £Nil).

DIRECTORS

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

Executive directors:
C Goeseke
M D Cooper
Non-executive directors:
B Boos (appointed 10 January 2022)
L Holle
E Palla
I Querner
W Bohner
R Rohde (appointed 1 October 2022)
S Klenke
J Sandvoss (resigned 2 September 2022)
R Lutz (resigned 31 July 2022)

FINANCIAL RISK MANAGEMENT AND OBJECTIVES

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 AG treasury policy. For further details relating to financial risk management please refer to the Deutsche Bahn AG 2022 Integrated Report.

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

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

Information on the company's corporate governance arrangements is provided in the Corporate governance report and is incorporated into this report by cross-reference.

EMPLOYEE ENGAGEMENT AND EMPLOYEE INITIATIVES

The board recognises that its employees are key to its success and is committed to creating an environment where everyone has the opportunity to learn, develop and contribute to the success of the company, whilst working within a common set of values. The board is committed to assist the company's aspirations to be an employer of choice and to employ a workforce with the skills, abilities and attitudes required to meet the company's business objectives and needs. The company's aim is to provide appropriate remuneration, benefits and conditions of employment which serve to attract, retain, motivate and reward its employees.

The board is supportive of the company's promotion of employee engagement and inclusion, whereby subject to the restraints of commercial confidentiality, the company endeavours to make information available to employees about recent and future developments and the business activities of the company, including financial and economic factors which may have an impact on the company's performance.

EMPLOYEE ENGAGEMENT AND EMPLOYEE INITIATIVES (Continued)

The Directors of the company receive updates by the AMB at board meetings. These include proposals and relevant information impacting the strategy and policies of the company, including those relating to employee and workforce engagement. Information communicated to the board by the AMB about employees and the workforce helps to inform the board to ensure workforce policies and procedures are consistent with the company's values, in promoting its long-term sustainable success. Information on principal decisions made by the company during the financial year ended 31 December 2022 can be found in the Section 172 Statement on pages 5 to 8 of this Annual report.

Diversity and Inclusion

During 2022, the company launched the Arriva groups new inclusion strategy which aims to ensure a co-ordinated approach to inclusion across all of its businesses by setting ambitious targets, so that all parts of the Arriva group are aligned behind common goals. The board were supportive of the implementation of the strategy across the Arriva group whereby all Arriva group employees are considered and given fair and equal consideration.

Employee feedback and communication

The company conducts both group wide and local employee surveys, the most recent survey took place in September 2022, and almost 20,000 employees from the Arriva group took the opportunity to complete the survey and share their views.

The employee surveys are used to highlight areas of engagement and areas for improvement and action. The results of the employee surveys are shared with the board by the Chief People Officer and discussed with the board, however, the AMB oversees the progress across the Arriva group to implement actions plans from the employee surveys to improve any areas highlighted by the surveys, and to maintain those areas deemed to be working well.

There are a number of communication platforms that the company uses to inform and engage its employees. These include the company's Yammer feed and the intranet. Briefings are cascaded via line managers, bulletins are posted via email and notice boards, as well as the company's Yammer feed and the intranet. The company targets its communication channels to improve connectivity within the Arriva group and to promote working together. During 2022, the Arriva group Chief Executive Officer provided employees across the Arriva group with updates on various key business matters through videos available on the intranet and email communications.

EMPLOYEE ENGAGEMENT AND EMPLOYEE INITIATIVES (Continued)

Employee health and wellbeing

All employees have access to online training and assessments on topics such as emotional wellbeing, mental health and remote working. This is in addition to the Arriva group programme Global Arriva Inclusion Network (GAIN), which is aimed at promoting support for mental health and encouraging employees to share their stories in order to tackle mental health concerns. GAIN is a place for employees to celebrate and share their experience of working at the Arriva group. Open and honest feedback is vital to making the Arriva group a place where employees can be themselves every day – regardless of their race, religion, disability, gender, sexual orientation, or any other characteristic.

The GAIN community is supported by members of the AMB, who act as executive sponsors, using their voices to influence change within the business. Five colleagues also lead the GAIN communities and act as a driving force, helping to plan events, collate feedback and coordinate the group's activity.

Equal opportunities

The Directors believes in equal opportunities regardless of gender, age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. This approach is underpinned by the company's commitment to providing equal opportunities to its current and potential employees and applying fair and equitable employment practices. The company gives full and fair consideration to job applications from people with disabilities, considering their skills and abilities.

Where an employee may become disabled, whether through accident, illness or injury, every reasonable and practicable consideration will be given to ensure that they may remain in employment. There may be some instances where there are no reasonable adjustments that can be made; where this occurs, the company will endeavour to find a suitable alternative position. The company's Diversity, Inclusion and Equality Policy forms part of the Arriva group policies and standards.

EMPLOYEE ENGAGEMENT AND EMPLOYEE INITIATIVES (Continued)

Leadership schemes

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

The 'Emerging Leaders' programme aims to identify and develop future leaders whose next step is a senior manager role and demonstrate the performance, potential and aspiration to progress to this. As part of the programme candidates are required to complete an assessment for development which allows them the opportunity to discuss their career goals and experience in more detail and receive valuable feedback against the Arriva Leadership Model on their strengths and development areas.

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

During 2022, the company launched the 'Better Balance Network' - a programme designed specifically for female leaders from across Arriva UK businesses to share common challenges, build knowledge and skills and create a better balance of leadership.

Moving forward from the COVID-19 pandemic

Since the start of the pandemic, the safety and wellbeing of employees has been of the utmost importance to the board and during this time the company has supported employees through flexible working arrangements, seeking regular feedback and making adjustments so that employees can conduct their roles safely.

With the introduction of the Omicron variant of COVID-19 in early 2022, the board was again challenged to respond at pace to the wider deviation of measures and rules implemented across the United Kingdom and Europe. The board and the AMB have continually focussed their efforts on safeguarding the health and wellbeing of the Arriva group's employees and passengers, and as a result of a resilient business model have been able to respond rapidly to the changing requirements during the pandemic.

Throughout this extraordinary period, employees across the Arriva group have shown significant commitment and resilience to ensure that the business continued to deliver safe, reliable services for its customers and communities. As the restrictions of the pandemic were lifted during 2022, the board remain collectively focused on fulfilling an important purpose in supporting society, its communities and the environment and this has continued to be demonstrated across the Arriva group as a new normal has been established.

ENGAGEMENT WITH STAKEHOLDERS

The board seeks to achieve its strategic objectives by taking into account the needs of its stakeholders and the impact the Arriva group business may have on them. The board is aware that its decisions can impact one or more groups of stakeholders and aims to ensure that effective engagement with stakeholder so that stakeholder interests are considered in board discussions and decisions.

The key stakeholders which are most relevant to the decision making of the board, include, but are not limited to:

- Local communities in which the company is based
- Passengers
- Customers and clients, which includes local/national transport authorities in respect of contracted services
- Employees
- Unions
- Suppliers
- Deutsche Bahn AG

As a geographically and culturally diverse organisation with businesses across Europe, the Arriva group has a global and diverse community of stakeholders, each with its own interests in, and expectations of, the Arriva group. Due to the scale and geographic spread of the businesses, the stakeholder engagement mostly takes place locally at an operational level and the board is therefore reliant on management to help it fully understand the impact of the company's operations on the Arriva group's stakeholders.

The board has regular interaction and communication with its ultimate parent company Deutsche Bahn AG, via the various Arriva group functions which operate within the company, including but not limited to, Arriva group's finance, company secretarial, legal, treasury, HR and communications.

The board is supported by the AMB comprising the executive directors of the Arriva group including the Managing Directors of each Business Unit. In accordance with the company's Scheme of Delegation, the day-to-day management of the company's operations is delegated to the AMB who ensure that each of the businesses are operating in line with the Arriva group's shared values and strategic objectives.

The AMB structure allows, where appropriate, for matters to be first assessed at operating company level before recommendations are made to the board. This facilitates effective two-way engagement between the board and the Arriva group and ensures that the broader operational implications of any principal decisions are properly considered in accordance with Section 172.

The management decisions impacting the strategy and policies of the company, including those relating to its relationships with key stakeholders, are communicated by the AMB to the board at the regular board meetings.

During the year, members of the AMB, senior management from across the Arriva group's businesses and advisors were invited to attend and present at meetings of the board. This facilitated key discussions which considered, where relevant, the impact of the company's activities on its stakeholders and provided the directors with a broader perspective and insight. These activities, together with direct engagement by the AMB with the company's stakeholders, continue to help inform the board in their decisions making. Further information on the principal decisions made by the board during the financial year ended 31 December 2022 can be found in the Section 172 statement on pages 5 to 8.

Further information on how the board has fostered relationships with its employees during the financial year ended 31 December 2022 is provided in the Employee Engagement section of this report on pages 10 to 13.

MATTERS COVERED IN THE STRATEGIC REPORT

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

Directors' indemnity

In accordance with the company's articles, and to the extent permitted by law, directors are granted an indemnity from the company in respect of liability incurred as a result of their office. Neither an indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently. Qualifying third-party indemnity provisions (as defined in Section 234 of the Companies Act 2006 (the Act)) were in force during the year ended 31 December 2022 and continue to remain in force.

Political donations

It is the company's policy not to make political donations and it is also contrary to shareholder guidelines, accordingly, no such payments were made during the financial year ended 31 December 2022 (2021: £nil). Additionally, the group did not incur any political expenditure as defined in the Act (2021: £nil).

STREAMLINED ENERGY AND CARBON RERPORTING DISCLOSURE (SECR)

UK energy consumption and greenhouse gas emissions for the company for the period 1 January 2021 to 31 December 2022 (inclusive) is as follows:

Energy usage for the company in the United Kingdom	Current reporting year 2022	Previous reporting year 2021
Scope 1 – Fuel use from combustion of natural gas/tCO_2e[1]	176	201
Scope 2 – Emissions resulting from the purchase of electricity, including heat, steam, or cooling (location based)/tCO_2e	114	148
Scope 3[2] – Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel/tCO_2e	23	27
Total gross emissions/tCO_2e	313	376
tCO_2e per full time equivalent employees[3]	1.0	1.3
Energy consumption used to calculate the above emissions / kWh	1,642,922	1,894,332

1. $tCO2e$ means tonnes (t) of carbon dioxide ($CO2$) equivalent (e)
2. Due to aggregation of underlying data by the company emissions from business travel (including company owned vehicles) are included in Scope 3
3. Full time equivalent number of employees for the company for 2022 was 315 (2021: 300)

STREAMLINED ENERGY AND CARBON RERPORTING DISCLOSURE (SECR) (continued)

Methodology

The company has reported its UK energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implements the UK Government's policy on Streamlined Energy and Carbon Reporting. The data detailed in the above table represents emissions and energy use for which the company is responsible and does not represent data for the whole Arriva group.

Certain managers within the company are provided with access to a company car lease scheme. Emissions from business mileage in relation to any vehicle leased under the company car lease scheme are included within the above Scope 3 disclosure. Emissions from personal use of vehicles leased under the company car lease scheme are not included in the above disclosures.

The company also provides a small group of senior employees with fuel cards. Each fuel card may be used for personal and business purposes. As emissions related to the use of the fuel cards are immaterial to the overall disclosures by the company, these emissions are excluded from the above disclosures.

The energy usage data for the 2022 financial year was slightly lower than the energy usage in 2021, particularly across scopes one and two emissions. During 2022, the Doxford Park office was closed to staff from mid-April until the end of August whilst a refurbishment was undertaken. Since the COVID-19 pandemic, the company has operated a hybrid working policy which requires staff to work from their office locations for a minimum of two days per week. These factors combined with the energy efficiency actions implemented during 2022, as detailed below, has resulted in a reduction in overall energy usage for the company for the financial year ended 31 December 2022.

As a wholly owned subsidiary of Deutsche Bahn AG (DB), the company is bound to use DB approved emission factors for site energy and the source for site consumption emission factors is the GEMIS database (GEMIS: IINAS, Darmstadt (Germany)). To calculate the emissions, the company has used the UK Government GHG Conversion Factors for company Reporting 2022.

Environmental policy

Arriva group strives for best practice in environment, health, wellbeing and safety (EHS) and aims to play a role in the reduction of greenhouse gases and waste to stabilise the increase in global temperatures, reduce the Arriva group's ecological footprint, deliver business efficiencies and protect the environment.

The Arriva group's EHS policy consists of the Arriva group's internal environmental risk assurance standards. The policy is built around the following objectives:

- robust environmental management and risk assurance;
- clear accountability;
- clear communication of goals and progress;
- targeting improvements in total carbon emissions, energy, water and waste; and
- ensuring compliance with local regulations, and that key environmental risks are mitigated.

Energy efficiency actions

During the financial year ended 31 December 2022 the company replaced 90 per cent of its internal office lighting at its Head Office in the Doxford Park offices with LED lighting, a more energy efficient form of lighting which has helped to reduce the company's energy consumption. The company is exploring further opportunities to reduce its energy consumption with a potential move to solar powered external car park lighting.

STREAMLINED ENERGY AND CARBON RERPORTING DISCLOSURE (SECR) (continued)

Sustainability

In May 2022, the Arriva group, announced a new Zero Emission Institute which is led by a team of experts in fleet planning, to accelerate its journey to net-zero.

The Institute will be a central hub of knowledge and expertise, sharing experience and best practice in the roll-out of alternative fuels and transitioning fleets to zero emissions. This will help to build longer term decarbonisation strategies alongside town and city transport authorities.

The Institute plans to forge relationships and partnerships with a number of external organisations which will in turn build Arriva group's internal expertise and knowledge of the latest emerging technologies. Partnerships include green energy companies, academic institutions, technological innovators, engineers, vehicle designers and manufacturers.

The Institute was set up to support the Arriva group's vision to help shape a future where passenger transport is the best choice. Modal shift to public transport will make a significant difference in the journey to decarbonisation by reducing car use, which in turn reduces emissions in towns and cities. At the same time, adopting cleaner and greener fuel technology will ensure public transport makes its contribution to the EU's goal to become climate neutral by 2050.

The Arriva group already operates within its fleet zero-emission vehicles in most of its European countries, utilising electric and hydrogen technologies, while it also operates vehicles using alternative fuels such as biofuels, including hydrogenated vegetable oil (HVO), biodiesel (RME) and biogas (biomethane). These alternative fuels enable significant reductions in emissions while longer term decarbonisation strategies take shape.

Some of the initiatives the Zero Emission Institute has undertaken during 2022, are listed below:

- Held internal educational webinars to share knowledge and experience from across the Arriva group
- Welcomed representatives to Arriva Netherlands operations in Limburg to meet with colleagues, suppliers and clients in order to share learnings and best practice processes for implementing zero emission solutions
- Hosted client meetings to support the transition planning to alternative fuels
- Ran trials on Zero Emission buses to gain real life energy consumption data and conducted engineering audits to evaluate serviceability
- Engaged suppliers to gain a broader understanding of the latest technologies and innovations, including the potential for retrofitting old assets with zero emission drivetrains, utilising second life batteries into energy storage and fleet planning and optimisation software
- Supported partnerships with clients and suppliers to facilitate the introduction of hydrogen buses and the required infrastructure into Liverpool
- Supported business across the Arriva group with EU funding applications relating to zero emission infrastructure

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' CONFIRMATIONS

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

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

This report was approved by the board of Arriva plc on 29 June 2023 and signed on its behalf.

C Goeseke
Director

Corporate governance report
For the Year Ended 31 December 2022

For the financial year ended 31 December 2022, pursuant to the Companies (Miscellaneous Reporting) Regulations 2018, the board has continued to apply the Wates Corporate Governance Principles for Large Private Companies (Wates Principles), published by the Financial Reporting Council (FRC) in December 2018, as an appropriate framework for disclosure of its corporate governance arrangements.

Set out below is how the Wates principles have been applied by the board for the financial year ended 31 December 2022.

PRINCIPLE 1: PURPOSE AND LEADERSHIP

The company is the main holding company for the Arriva group of companies.

With a history dating back to 1938, the Arriva group is a leading provider of passenger transport across Europe. The company's ultimate parent company is DB, one of the world's leading passenger and logistics companies.

The Arriva group is divided into four business units: UK Bus, UK Trains, The Netherlands and Mainland Europe. The Arriva group proudly connects people and communities safely, reliably and sustainably, delivering its services in a better way, every day.

Arriva group Purpose, Vision and Values

During the last two years, the board has worked on facilitating a comprehensive review of the Arriva group, called Project Revitalise; a series of programmes aimed at building a stronger, more competitive Arriva group, The object of the project was to ensure that the purpose of the business was clearly promoted, and that the Arriva group's values, strategy and culture were all aligned, and that the Arriva group continued to meet the needs of its customers, clients and society as a whole.

As part of Project Revitalise, the company embarked on a review of its vision, mission, purpose, and strategic plan, which also included a review of the organisational values. This process included using support from an external business partner, and employees from all parts of the Arriva group were engaged. The aim of the process was to build a strategic plan that would provide the Arriva group with both objectives and direction for the next three to five years. This included developing a new set of Values and Behaviours that could be used to help the Arriva group effectively execute the company's strategy.

The formal launch of the new Strategy, Purpose, Vision, Mission and Values took place in March 2022 with a video shared across the Arriva group, incorporating the ideas of Arriva colleagues. Briefings were then held by Business leaders with their individual teams to help employees understand their roles in helping make Arriva group's mission, purpose and vision a reality and how the values could be embedded into day-to-day business activities.

PRINCIPLE 1: PURPOSE AND LEADERSHIP (CONTINUED)

Arriva group Purpose, Vision and Values (continued)

Arriva group's mission

To be the leading passenger transport partner across Europe

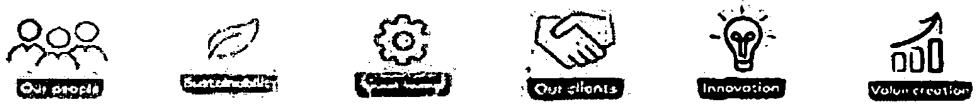
Arriva group's vision

To shape a future where passenger transport is the best choice

Arriva group's purpose

Connecting people and communities safely, reliably and sustainably, in a better way every day

Arriva group's strategy starts with its people



- Be a proud, performance-driven, diverse and inclusive team, inspired and passionate about delivering the safest and best services
- Inspire and promote greener, more connected transport for all, and become a climate neutral business we can be proud of
- Continuously improve how we operate and drive efficiencies, and make the most of both our scale and local knowledge to win together in our markets
- Build trust with our clients so that we can better understand, shape and meet their needs and those of our passengers in an ever-changing world
- Apply data-driven insights to deliver high quality innovative solutions today and in the future
- Apply commercial discipline and deliver a competitive cost base to achieve strong, profitable growth

The new Values and Behaviours underpin the Arriva group's ways of working as the business moves collectively towards its vision

We care passionately

- About creating the best environment for our colleagues to thrive
- About delivering a great customer experience
- About being part of a high-performing team, and winning together .
- About our planet, and transforming towns and cities through greener, more sustainable transport

We make the difference

- By putting safety first
- By striving for improvement in everything we do
- By embracing diversity and treating people with respect
- By working to the highest standards and holding each other to account
- By investing in the wellbeing and development of our people to create a more sustainable workplace

We do the right thing

- By delivering what matters most to our clients, customers, colleagues and stakeholders
- By recognising a job well done
- By finding solutions and not letting challenges get in our way
- By actively listening and embracing the learning when we get it wrong
- By innovating and thinking beyond today for a better, more sustainable Arriva tomorrow.

Ukraine

The continuing conflict in Ukraine has had an inevitable impact on some Arriva group business activities. As a business, a considerable proportion of the Arriva group's income comes directly or indirectly from national and local public transport budgets, and it remains uncertain whether there will be changes to these budgets, driven by the economic impact of the war in Ukraine, combined with the previous impacts of COVID-19. The Arriva group continues to monitor transport budgetary policies in each of the countries where it operates to ensure that it is strategically in the best position to respond to changes if and when they occur.

PRINCIPLE 2: BOARD COMPOSITION

The current composition of the board is made up of two executive directors, seven non-executive directors (appointed by the company's ultimate parent) and the Company Secretary. Details of the directors who have held office during the year are included in the Directors Report on page 10.

There is a clear division of responsibilities between the roles of the Chairperson of the board and the Chief Executive Officer of the company to help ensure that the balance of duties, accountabilities and oversight is effectively maintained. The Chairperson plays a pivotal role in facilitating constructive board relations and the effective contribution of all directors.

The board composition reflects the concentrated shareholding structure of the company and includes one identified independent director, bringing an impartial perspective to the board's discussion and decision-making process. The assessed skillset of the board is felt to be sufficiently broad and deep, encompassing senior experience from across a wide range of transport businesses and disciplines.

The board believes that when combined with the AMB, this creates a group which has diversity, with varied and balanced experience and skills that are highly relevant to the Arriva group's needs and challenges. This variety of skills and experience has served the Arriva group well in the development and scrutiny of its strategic decision making and performance.

The AMB is a subcommittee of the board and is the senior management forum for the Arriva group. It is collectively responsible to the board for the day-to-day management of the Arriva group's business and the implementation of the Arriva group's strategy. It manages operational and financial performance, assessment and control of risk, prioritisation of growth opportunities and the operation of the required governance framework to ensure the effective discharge of legal, ethical and social responsibilities as delegated to it by the board. Further information on the members of the AMB can be found on the company website. The Chief Executive Officer and Chief Financial Officer of the company are members of this sub-committee.

The directors have equal voting rights when making decisions, except the Chairperson, who has a casting vote in circumstances where there is an equal number of votes both for and against a resolution. All directors of the company have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the company's expense when it is judged necessary in order to discharge their responsibilities effectively.

There is a variety of information available to directors and senior managers of the Arriva group to assist them with their leadership, including access to Arriva's Standards of Business Conduct and on-line training. In addition, the directors of the company are provided with biennial directors' duties training, the next session is due to take place in June 2023.

Board changes
Ms. Bettina Boos, who manages the Corporate Investment Management function at Deutsche Bahn AG assumed her position as director of the board on 10 January 2022 following Dr. Marein Mueller's resignation at the end of 2021.

Dr. Richard Lutz and Dr. Joerg Sandvoss resigned as directors of the board on 31 July 2022 and 2 September 2022, respectively. Mr. Ralph Rohde, Chief Financial Officer of DB Regio was appointed as a director of the board with effect from 1 October 2022.

Corporate governance report
For the Year Ended 31 December 2022

PRINCIPLE 3: DIRECTORS' RESPONSIBILITIES

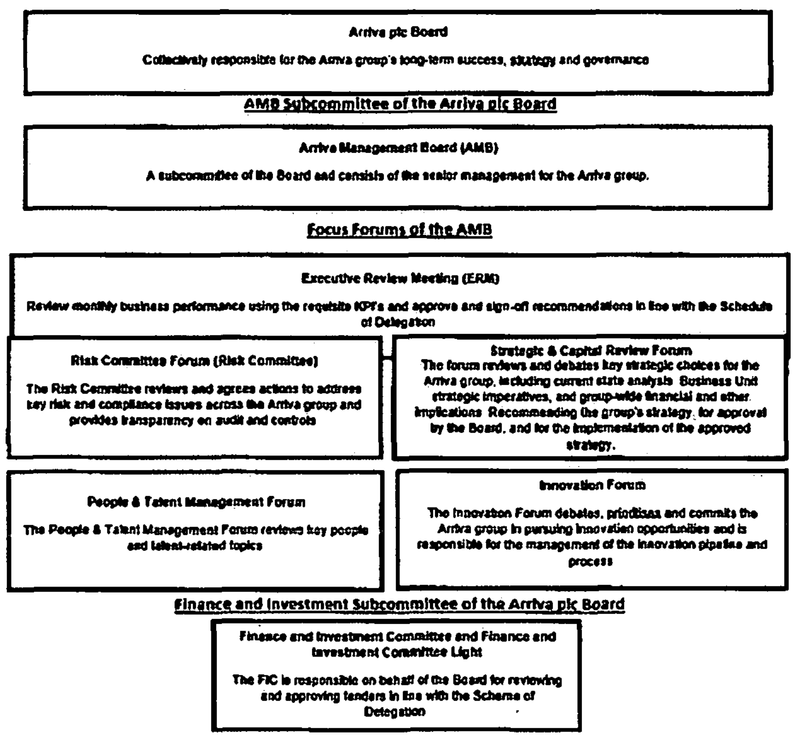
The company believes that good governance is key to achieving a successful business, especially one which operates in several different countries. The company's governance structure is supported by a comprehensive Arriva Group Corporate Governance Manual including the Group Scheme of Delegation, both of which form part of a broader policy framework by which the Arriva group promotes good governance and internal controls. The Arriva group Corporate Governance Manual and Arriva group policies are reviewed periodically by the Arriva group's Company Secretarial team and ultimately approved by the board.

The board holds four scheduled meetings each year and operates an annual agenda of standing items, which is aligned with good practice in corporate governance, including an annual review of internal controls systems and information security. Items requiring board approval or endorsement are clearly defined. Unscheduled meetings are held as required where topics warrant more time or decisions need to be made outside of the normal cycle of meetings. On occasion, it may be necessary for company decisions to be concluded via written resolution, as permitted by the company's Articles of Association.

The board is collectively responsible for the company's long-term success, strategic direction, values and governance. Responsibility for the day-to-day management of the Arriva group's business and the implementation of the Arriva group's strategy is delegated to the AMB.

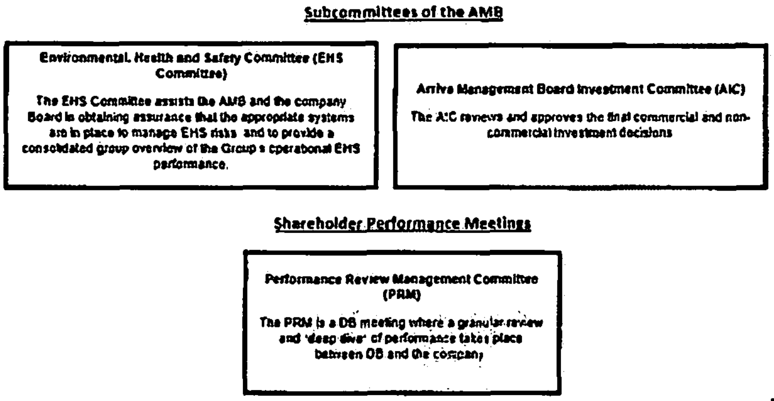
During the year, the board delegated specific matters to the AMB and its subcommittees in a bid to streamline the decision-making process in the Arriva group and to ensure that where necessary matters of importance are escalated in line with the Arriva Group's Scheme of Delegation. An overview of the board's executive forums and their current purpose are listed below.

Relevant Decision-Making Forums and Subcommittees Involving Arriva



Corporate governance report
For the Year Ended 31 December 2022

PRINCIPLE 3: DIRECTORS' RESPONSIBILITIES (Continued)



PRINCIPLE 4: OPPORTUNITY AND RISK

The board and the AMB consider risk management fundamental to the success of the Arriva group and recognise it as an integral component of the overall control framework supporting the achievement of the strategic and business objectives of the Arriva group. The board sets the risk appetite for the Arriva group, and ensures that a framework of governance, risk management and control is in place to promote the growth of the business.

<u>Internal control framework</u>

The board seeks out the best opportunities for the Arriva group, whilst mitigating the potential risks. The Arriva group's internal control framework (BilMoG) is based on German accounting law and requires businesses to evaluate risks and define and implement appropriate mitigating controls measures. These controls are regularly reviewed by the Arriva group's Internal Audit function.

Regular updates are provided to the board by the Internal Audit team on the effectiveness of Arriva group's internal control framework.

The Arriva group's key operational risks and mitigation are outlined in the Strategic Report on pages 2 to 4. The company's Strategic Report includes key risks that are monitored by the AMB.

PRINCIPLE 4: OPPORTUNITY AND RISK (Continued)

Risk Management
In 2022, a new risk framework was established within the Arriva group, together with a Risk, Committee Forum (Risk Committee), an executive forum of the AMB..

The Risk Committee meet at least four times per year to formally review Arriva group's risk appetite and the principal and emerging risks that the company is willing to take across all major activities. Risk analysis includes consideration of the Arriva group's risk exposure and the measures in place to effectively mitigate risks. The Arriva group's risk register is reviewed biennially by the AMB and the board is required to consider the effectiveness of the risk management on an annual basis.

A new and improved Risk Management Process, supported by an Arriva Risk Management Policy and supplementary templates were launched across the Arriva group in December 2022. The intention of the revised risk policies and procedures was to provide a more streamlined governance process across the business to support the Arriva group in managing risks more efficiently to enhance the performance of the business.

The revised process underpins the practices currently in place across the business with the new policy and process designed, amongst other things, to:

- simplify risk management and facilitate effective controls;
- bring consistency, rigour, structure, and transparency to the assessment of risks;
- build a strong financial risk reporting foundation;
- add an increased strategic, commercial, and operational perspective to complement the current financial focus to enhance risk management;
- reinforce senior management's responsibility and accountability for mitigating and monitoring risks over time and strengthen a culture of risk awareness and management; and
- introduce new insightful Top Risks management reports to the AMB and the board.

The systems and controls of the company are designed to manage and mitigate risks as they arise, however, it is accepted that they cannot provide total assurance that a risk will not materialise.

Mergers and acquisitions
Mergers, acquisitions and tenders are an important part of Arriva group's strategy, underpinned by the successful integration of acquired businesses, including the ability to manage those operations effectively and to benefit from anticipated cost savings and operating efficiencies. Key strategic opportunities, including mergers and acquisitions and tenders are highlighted to the board. The Arriva group has clearly defined guidelines for due diligence work and approval of mergers, acquisitions and tenders.

Responsibilities
The company has developed a governance framework which includes the Arriva Group Corporate Governance Manual including the Arriva Group's Scheme of Delegation. This framework ensures that the appropriate level of diligence and oversight has been performed when considering the obligations, risks and terms of each business-related transaction. This enables the Arriva group to meet its strategic objectives and ensure that all transactions are fully reviewed and assessed in alignment with the Arriva group's strategy and risk appetite before approval is granted.

PRINCIPLE 5: REMUNERATION

The Arriva group is an active equal opportunities employer and promotes diversity and inclusion to achieve an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development. The company's objective is to ensure that all decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit. The company balances short-term operational performance, with the delivery of longer-term profits and returns and recognises its social impact on employees.

The company recognises that Arriva's senior managers are key to driving the success and future growth of the business and that through the ongoing development of employees, the company can develop the leadership capability to support future succession planning. The purpose of the Arriva group's senior manager pay and bonus policy is to recognise their contribution to the business and sustained business performance, through a market competitive balance of fixed and variable pay elements.

The company regularly undertakes independent reviews of its total rewards package for senior managers to ensure it maintains market competitiveness that allows the Arriva group to recruit and retain the calibre of senior managers it requires to drive a high performing culture and achieve its strategic objectives.

In accordance with the company's terms of reference, it is the responsibility of the board to determine the remuneration of the Executive Directors. The board also has an overview of the annual salary review and compensation awards for senior personnel.

PRINCIPLE 6: STAKEHOLDERS

The board promotes good governance, which is key to achieving the Arriva group's strategy, as well as continuing effective relationships with all stakeholders including, passengers, customers (including local/national transport authorities in respect of contracted services), employees, suppliers and the local communities in which the company operates.

The Arriva group is committed to social responsibility, working with local communities and environmental sustainability. It achieves this by working with the local community and promoting working together.

Further information on engagement with stakeholders during the financial year ended 31 December 2022, is provided in the 'Engagement with stakeholders' section of the Directors' Report.

Further information on engagement with employees during the financial year ended 31 December 2022, is provided in the 'Employee engagement' section of the Directors' Report.

Further information on the Arriva group's environmental policy and projects during the financial year ended 31 December 2022 is provided in the Streamlined Energy and Carbon Reporting Disclosure (SECR) section of the Directors' Report.

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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. The company is reliant on the continued funding from Deutsche Bahn AG (ultimate parent undertaking) in the form of a credit facility. The forecast cash flows prepared by management demonstrate that the current facility limit will be exceeded within the assessment period. Additionally, the credit facility with Deutsche Bahn AG is not committed for a specific period of time, therefore additional funding may not be readily available during the period of 12 months from the date of approval of the financial statements which may result in the company not being able to continue to meet its operational funding requirements. Furthermore, as set out in the DB 31 December 2022 annual report, DB plans to divest of the Arriva group which could result in a change in ownership of the company within 12 months of the date of approval of these financial statements. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to continue to provide funding to the company. These conditions, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Independent auditors' report to the members of Arriva PLC (continued)

Material uncertainty related to going concern (continued)

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

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

Reporting on other information

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

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

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

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

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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the 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 Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report to the members of Arriva PLC (continued)

Responsibilities of the directors for the financial statements (continued)

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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to pensions and employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to reduce the company's loss before interest and tax or increase the carrying value of investments, or through management bias in manipulation of accounting estimates and forecasts. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates and forecasts, in particular in relation to impairment of investments; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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

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

Independent auditors' report to the members of Arriva PLC (continued)

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 obtained 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
Newcastle upon Tyne
29 June 2023

Statement of comprehensive income
For the Year Ended 31 December 2022

	Note	2022 £000	*2021 £000*
Administrative expenses		(95,298)	*(115,451)*
Other operating income		37,804	*33,935*
OPERATING LOSS	4	(57,494)	*(81,516)*
Interest receivable and similar income	8	12,904	*3*
Interest payable and similar expenses	9	(9,523)	*(7,497)*
Other finance credit	10	2,723	*1,006*
Impairment of investments	14	(169,622)	*-*
Impairment of receivables		(48,482)	*-*
LOSS BEFORE TAXATION		(269,494)	*(88,004)*
Tax on loss	11	(8,618)	*1,985*
LOSS FOR THE FINANCIAL YEAR		(278,112)	*(86,019)*
OTHER COMPREHENSIVE (EXPENSE)/INCOME:			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Actuarial (loss)/gain on defined benefit schemes	22	(57,995)	*95,824*
Movements in deferred tax related to actuarial (loss)/gain on pension surplus	18	11,019	*(18,207)*
TOTAL OTHER COMPREHENSIVE (EXPENSE)/INCOME		(46,976)	*77,617*
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(325,088)	*(8,402)*

The notes on pages 34 to 73 form part of these financial statements.

ARRIVA PLC
Registered number: 00347103

Balance sheet
As at 31 December 2022

	Note	2022 £000	2021 £000
FIXED ASSETS			
Intangible assets	12	15,459	22,803
Tangible assets	13	10,130	11,704
Investments	14	661,451	705,823
		687,040	740,330
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	15	30,383	21,589
Debtors: amounts falling due within one year	15	205,813	250,198
Cash at bank and in hand		7,944	7,738
		244,140	279,525
Creditors: amounts falling due within one year	16	(449,004)	(251,024)
NET CURRENT (LIABILITIES)/ASSETS		(204,864)	28,501
TOTAL ASSETS LESS CURRENT LIABILITIES		482,176	768,831
Creditors: amounts falling due after more than one year	17	(175,386)	(189,102)
Deferred taxation	18	-	(2,312)
		-	(2,312)
NET ASSETS EXCLUDING PENSION SURPLUS		306,790	577,417
Pension surplus net	22	80,291	134,752
NET ASSETS		387,081	712,169
CAPITAL AND RESERVES			
Called up share capital	21	10,220	10,220
Share premium account		418,361	418,361
Other reserves	20	60,882	60,882
Profit and loss account		(102,382)	222,706
TOTAL SHAREHOLDERS' FUNDS		387,081	712,169

Balance sheet (continued)
As at 31 December 2022

The financial statements on pages 30 to 73 were approved and authorised for issue by the Board of Arriva plcand were signed on its behalf on 29 June 2023.

C Goeseke
Director

The notes on pages 34 to 73 form part of these financial statements.

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

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2021	**10,220**	**418,361**	**60,882**	**231,108**	**720,571**
Comprehensive (expense) / income for the year					
Loss for the financial year	-	-	-	(86,019)	(86,019)
Actuarial gain on pension schemes	-	-	-	95,824	95,824
Movements of deferred tax relating to actuarial gain on pension schemes	-	-	-	(18,207)	(18,207)
Other comprehensive income for the year	-	-	-	77,617	77,617
Total comprehensive expense for the year	-	-	-	(8,402)	(8,402)
At 31 December 2021 and 1 January 2022	10,220	418,361	60,882	222,706	712,169
Comprehensive (expense) / income for the year					
Loss for the financial year	-	-	-	(278,112)	(278,112)
Actuarial loss on pension schemes	-	-	-	(57,995)	(57,995)
Movements in deferred tax related to actuarial loss on pension schemes	-	-	-	11,019	11,019
Other comprehensive expense for the year	-	-	-	(46,976)	(46,976)
Total comprehensive expense for the year	-	-	-	(325,088)	(325,088)
At 31 December 2022	10,220	418,361	60,882	(102,382)	387,081

The notes on pages 34 to 73 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all years, unless otherwise stated.

The financial statements have been prepared on the going concern basis under the historic cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

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

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

The company is a wholly owned subsidiary of Deutsche Bahn AG and part of the Arriva group which Deutsche Bahn AG heads.

The company is a holding company providing central support services for its subsidiary companies which are the operators of passenger transport services. The vast majority of other operating income earned within this entity comes from other companies within the Arriva group.

The company utilises a credit facility provided by its ultimate parent Deutsche Bahn AG ("DB"). This is a longstanding arrangement operated by DB to manage the liquidity needs of the Arriva group, and the company has been party to this arrangement for several years. As at 31 December 2022 this was £285,000,000 and this has subsequently been increased to £365,000,000 in June 2023. However, as the provision of and amount of the facility is not formally committed for a period of at least 12 months from the date of approval of the financial statements, the facility may not be available or could be withdrawn.

Further, the forecast cash flows prepared by management demonstrate that the current facility limit will be exceeded within the assessment period. No formal application has yet been made to DB to extend the current facility.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

GOING CONCERN (continued)

The company has several mitigations to manage its cash flows, which include:

- management could reallocate unutilised DB credit facilities across the Arriva group to allow the company to benefit from these unutilised facilities. This would require DB consent, however the directors are confident that as long as the overall debt exposure to Arriva is not increased, that this reallocation would be expected to be approved;
- the ability to extract dividends from various of its subsidiary companies; and
- delaying or curtailing discretionary expenditures on behalf of the company.

Furthermore, as set out in the DB 31 December 2022 annual report, DB plans to divest the Arriva group which could result in a change in ownership of the company within 12 months of the date of approval of these financial statements. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to provide funding to the company.

The directors therefore acknowledge that the combination of these factors represent a material uncertainty which may cast significant doubt about 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 the existing financing will remain in place and management actions over the assessment period will be sufficient to meet the company's funding requirements and therefore the company will continue to operate for the foreseeable future. The directors consider the risk of the facility's withdrawal to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice. Furthermore, the directors consider it highly improbable that additional extensions of the facility will be denied (where extension is required for the company to meet its cash flow requirements).

The financial statements do not contain the adjustments that would arise if the company were unable to continue as a going concern.

1. ACCOUNTING POLICIES (CONTINUED)

1.2 INTANGIBLE ASSETS AND AMORTISATION

Intangible assets include costs in respect of developing Enterprise Resource Planning (ERP) systems for finance, procurement, engineering and HR.

These costs are those that are directly attributable to the design, testing and preparation of the ERP system to be capable of operating in the manner intended by management, and which are incurred only after the company can demonstrate the following:

• The technical feasibility of completing the system so that it will be available for use;
• management intends to complete the system and use or sell it and that it will be able to use or sell it;
• the system will generate probable future economic benefits;
• adequate technical, financial and other resources to complete the development and to use or sell the system are available; and
• expenditure attributable to the system during its development can be reliably measured.

Expenditures that do not meet the above criteria are recognised as an expense as incurred and are not recognised as an asset in a subsequent period.

ERP systems were implemented throughout the Arriva group by way of a phased integration. Amortisation has been charged on a straight line basis over 10 years from the date that each stage went live.

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

Intangible assets under development are reviewed annually for any indicators of impairment. Where the carrying amount of such assets is greater than their recoverable amount, an impairment is recognised to write-down the asset to its recoverable amount.

1.3 TANGIBLE ASSETS

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

Tangible assets include right-of-use assets under lease arrangements. Note 1.17 outlines the accounting policies for such assets.

1. ACCOUNTING POLICIES (CONTINUED)

1.3 TANGIBLE ASSETS (CONTINUED)

Depreciation is provided on a straight-line basis to write off the cost of tangible assets, less their estimated residual value, over their expected useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

Depreciation is provided on the following basis:

Freehold property	- 50 years
Plant, machinery and vehicles	- 3 to 10 years
Leasehold property	- 1 to 10 years (being period of the lease)
Right-of-use assets	- straight line over the period of the lease

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. Where an indicator is identified, an assessment of the investment's recoverable value is made. If the carrying amount exceeds the recoverable amount, an impairment is recognised to write-down the investment to its recoverable amount.

1.5 DEBTORS

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

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

Allowances for expected credit losses on trade and other debtors are recognised only where they are material.

Loans and other non-derivative financial assets 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. ACCOUNTING POLICIES (CONTINUED)

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.

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

1.7 CREDITORS

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade and other creditors, including amounts owed to group undertakings, are initially stated at fair value and subsequently at amortised cost.

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 EMPLOYEE BENEFITS

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans. Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received and relates to staff costs for all employees employed in fulfilling the company's operations. Details on the defined benefit and defined contribution pension plans can be found in Note 22.

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 is deemed to be the principal employer of the Arriva Passenger Services National Pension Scheme (APSNPS) and the Arriva Passenger Services Pension Plan (APSPP). These defined benefit pension schemes are recognised within the financial statements.

The amounts 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.9 EMPLOYEE BENEFITS (CONTINUED)

Pensions (continued)
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 profit or loss 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.

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 through profit or loss.

The company's derivatives comprise diesel fuel swap contracts entered into on behalf of other group companies to hedge their exposure to changes in diesel prices.

For each derivative contract in place, the company has entered into corresponding back-to-back agreements on equal and opposite terms with the group operating companies who use the fuel to which the contracts relate. As a result, these contracts have no impact on the company's Statement of comprehensive income with no income or costs recognised.

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 applied in deriving their present value.

1.11 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
• IFRS 16 Leases – Disclosure of all information on leases in a single note, maturity of lease liabilities (except where required by company law) and lessor income disclosures
• IAS 1 Presentation of Financial Statements – Comparative information in respect of reconciliations of amounts at the beginning and at the end of the year for the number of shares outstanding and carrying values for property, plant and equipment and intangible assets

1. ACCOUNTING POLICIES (CONTINUED)

1.11 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS (CONTINUED)

• IAS 1 Presentation of Financial Statements – Statement of cash flows, statement of financial position as at the beginning of the preceding year 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 23 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which permits a qualifying entity to apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards, 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.

1.12 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.12 CURRENT AND DEFERRED TAXATION (CONTINUED)

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.

1.13 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 within interest payable and similar expenses in the Statement of comprehensive income.

1.14 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.

1.15 DEFERRED INCOME

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

1. ACCOUNTING POLICIES (CONTINUED)

1.16 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. The vast majority of the company's Other operating income is earned from other companies within the Arriva group. It is recognised in the Statement of comprehensive income on an accruals basis.

1.17 LEASES

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

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

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

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

1.18 SHARES AND SHARE PREMIUM

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

Where shares are accounted as equity, any proceeds from issuance in excess of the nominal value of new shares issued is recognised within the Share premium account.

2. GENERAL INFORMATION

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

The company number is 00347103 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

3. JUDGMENTS 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 requires management to make judgements, assumptions and estimates concerning the future as detailed below.

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

3.1 Critical judgements in applying accounting policies

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

Treatment of valuation profits and losses on derivative financial instruments

The company's derivatives comprise diesel fuel swap contracts entered into on behalf of other group companies and corresponding back-to-back agreements on equal and opposite terms with those group operating companies as outlined in Note 1.10. As these derivatives have no net impact on the company's total comprehensive income, the company has not recognised any gross costs or income for changes in their fair value in the Statement of comprehensive income.

Recognition of group pension schemes in the company's financial statements

The company's and a number of its subsidiaries' current and former employees are members of the Arriva Passenger Services National Pension Scheme (APSNPS) and the Arriva Passenger Services Pension Plan (APSPP), which are group multi-employer defined benefit pension schemes. Contributions to those schemes are made both by the company and the relevant subsidiaries.

As there is no contractual agreement or policy for allocating the costs for APSNPS and APSPP to participating group entities, management has determined that the company, as the sponsoring employer, should recognise the assets and liabilities of these schemes as a whole within the financial statements, as outlined in Note 1.9.

The service cost of the schemes is fully recognised in the Statement of comprehensive income, however the net impact on profit and loss reflects adjustments for contributions paid by other participating employers.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

3.2 Critical assumptions and key sources of estimation uncertainty

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

Defined benefit pension scheme obligations

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligations depend on a number of factors, with those most likely to lead to a material change in the obligation being; 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 pension obligations in the Balance sheet. The assumptions reflect historical experience and current trends.

See Note 22 for the sensitivity analysis of potential impacts to the defined benefit pension obligations recorded at the balance sheet date for changes to assumptions for those factors.

Defined benefit pension scheme ABC assets

Included within pension scheme assets is a partnership interest held by the APSPP in a subsidiary of the company, Arriva ABC Scottish Limited Partnership (SLP), which was created as part of an asset backed contribution (ABC) arrangement during 2019. The ABC is backed by loan notes issued by another subsidiary of the company, Arriva International Limited.

The company also holds a partnership interest in the SLP which is recognised at fair value as a receivable owed by group undertakings due after more than one year (see Note 15). The fair value movement on the receivable during the year is provided in Note 8.

Further details on the ABC, including the distribution mechanism for the SLP's partners (including APSPP and the company) is provided in Note 22.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

3.2 Critical assumptions and key sources of estimation uncertainty (continued)

The value of the SLP interests at the balance sheet date has been calculated by independent actuaries. The following are considered the key valuation assumptions for the assets:

• The average assumed returns on APSPP's assets has been assessed using a 'market consistent' approach, assuming returns each year are in line with the risk free rate (i.e. the gilt yield).
• The volatility of returns on assets and volatility of interest rates (which affect whether scheme funding levels triggering changes to distributions will occur), have been modelled using market based forward looking data as at 31 December 2022.
• The cash flows due to the SLP have been weighted based on a probability of a default event in each future year for Arriva International Limited, which has been derived from the credit default swap data of Deutsche Bahn AG (the ultimate parent of the company and of Arriva International Limited). This assumes a recovery rate in the event of a default of 40% (2021: 40%).
• The projected future cash flows, allowing for the possibility of default and hitting funding level triggers, have been discounted to present value using a risk free rate (gilt yield) plus a premium to reflect the illiquidity of the loan notes. At 31 December 2022 this illiquidity premium was 1% (2021: 1%).

Expected credit loss on amounts due from group undertakings

An impairment of £48,482,000 has been recognised in respect of the company's receivable from its indirect subsidiary, Arriva London North Ltd. Due to the fact that the subsidiary is in a net liability position at the reporting date, management do not consider that the receivable is recoverable in full. Accordingly, an impairment has been recognised equivalent to the net liability position of the counterparty, Arriva London North Ltd.

Impairment of investment in subsidiaries

Under IAS 36, an impairment review is performed in respect of Arriva Plc's investment in subsidiaries, whenever an indicator of impairment has been identified. An indicator of impairment was identified in respect of the company's investment in Arriva UK Bus Investments Limited, the intermediate holding company for the Arriva group's UK Bus division. This was identified on the basis that the division has been loss-making in recent years. The division was heavily impacted by the outbreak of COVID-19 and has not yet fully recovered to historic levels of profitability from before the outbreak of the pandemic.

The recoverable amount of the investment is determined as the higher of value in use and fair value less costs of disposal. Due to lack of available market information, management have only been able to consider the value of the investment in relation to the value in use. The value in use has been calculated using a discounted cash flow, which is based upon the Arriva group's mid-term plan. The mid-term plan for the UK bus division does include significant cash inflows for the UK bus division, which are one-off in nature and which are not yet contractually committed at the reporting date. As these cash inflows are not yet guaranteed, they have been excluded from the value in use calculation, adversely impacting the enterprise value attributable to the division.

The forecast cash flows for the division have been discounted using the weighted average cost of capital of 7.86%. A growth rate of 2% has been applied to the perpetuity calculation. The equity value for the UK bus division as a whole has been calculated by deducting the net debt across the division from the enterprise value as per the discounted cash flow. The equity value is then compared to the carrying value of Arriva Plc's investment in Arriva UK Bus Investment Limited.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Impairment of investment in subsidiaries

As a result of the impairment review performed, an impairment of £169,622,000 to the investment in Arriva UK Bus Investments Limited has been identified.

The company has performed sensitivity analysis on the impairment review using reasonably possible scenarios. The investment in Arriva UK Bus Investments Limited is particularly sensitive to the discount rate, perpetuity growth rate and underlying cash flows.

- A decrease of 100bps in the discount rate used would reduce the impairment recorded by £74,373,000.
- An increase of 100bps in the growth rate applied to the perpetuity calculation would reduce the impairment recorded by £58,750,000.
- Inclusion of the one-off cash inflows from the Arriva group mid-term plan, which are not yet contractually committed, would reduce the impairment recorded by £169,622,000.

4. OPERATING LOSS

The operating loss is stated after charging:

	2022 £000	*2021* *£000*
Depreciation of tangible fixed assets (Note 13)	1,760	*2,764*
Amortisation of intangible assets (Note 12)	3,750	*4,722*
Loss on disposal of tangible fixed assets (Note 13)	5	*-*
Loss on derecognition of intangible assets (Note 12)	4,350	*3,831*
Staff costs (Note 6)	33,293	*45,940*

5. 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:

	2022 £000	2021 £000
Fees for the audit of the company	466	121
Fees for non-audit services to the company		
Other services	-	3
Tax advisory services	-	16
Audit related assurance services	61	6

6. STAFF COSTS

Staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	29,572	23,911
Social security costs	3,210	2,751
Other pension costs	511	19,278
	33,293	45,940

Contributions to the Arriva Passenger Services Pension Plan (APSPP) and the Arriva Passenger Services National Pension Scheme (APSNPS) are also made by other participating employers. The contributions paid by other participating employers during the year totalled £3,839,000 (2021: £6,841,000) and are credited to other pension costs.

Other pension costs in the prior year were impacted by curtailment losses of £11,100,000 from the closure of the APSPP and APSNPS and a settlement loss of £1,384,000 on buy-out of the Arriva Pension Scheme.

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

	2022 No.	2021 No.
Administrative	315	300

7. DIRECTORS' EMOLUMENTS

	2022 £000	2021 £000
Directors' emoluments	1,977	1,283
	1,977	1,283

The emoluments include £18,000 (2021: £Nil) of contributions paid by the company to contract-based pension schemes to 1 director (2021: none).

Highest paid director
Emoluments of the highest paid director were £1,086,342 (2021: £674,000).

The value of the company's contributions paid to contract-based pension schemes in respect of the highest paid director amounted to £Nil (2021: £Nil).

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £000	2021 £000
Interest receivable from group undertakings	-	2
Other interest receivable	5	1
Fair value gain on amounts due from group undertakings	12,899	-
	12,904	3

The fair value gain on amounts due from group undertakings arises in relation to the company's interest in Arriva ABC Scottish Limited Partnership. The Scottish Limited Partnership is required to make a fixed distribution of £13,000,000 per year to a combination of its three partners, one of which is Arriva Plc. The other partners of Arriva ABC Scottish Limited Partnership are APSPP and APSNPS (both pension schemes). The annual distributions are made solely to APSPP and APSNPS, unless the pension schemes, which are subject to quarterly funding checks, have a funding level of more than 100% at two consecutive quarters. Where both schemes are fully funded, the annual distribution is instead made to Arriva Plc. This entitlement to future distributions from Arriva ABC Scottish Limited Partnership is recognised at fair value through profit and loss. The fair value at the reporting date reflects the expected future cash flows to Arriva Plc, given the current funding levels of APSPP and APSNPS.

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £000	2021 £000
Interest payable to group undertakings	9,330	5,884
Interest on lease liabilities	121	152
Fair value loss on amounts due from group undertakings	-	1,450
Net exchange loss on foreign currency transactions	69	8
Other interest payable	3	3
	9,523	7,497

10. OTHER FINANCE CREDIT

	2022 £000	2021 £000
Interest income on pension scheme assets (Note 22)	19,344	15,350
Interest cost on defined benefit obligation (Note 22)	(16,621)	(14,344)
Total other finance credit	2,723	1,006

11. TAX ON LOSS

	2022 £000	2021 £000
CORPORATION TAX		
Current tax on loss for the year	-	-
Adjustments in respect of prior years	(89)	(1,635)
	(89)	(1,635)
TOTAL CURRENT TAX CREDIT	(89)	(1,635)
DEFERRED TAX		
Origination and reversal of timing differences	8,766	244
Adjustments in respect of prior years	(59)	(594)
TOTAL DEFERRED TAX CHARGE/(CREDIT)	8,707	(350)
TOTAL TAXATION CHARGE/(CREDIT)	8,618	(1,985)

11. TAX ON LOSS (CONTINUED)

FACTORS AFFECTING TAX CHARGE/(CREDIT) FOR THE YEAR

The tax assessed for the year is higher than *(2021 - higher than)* the standard rate of corporation tax in the UK of 19% *(2021 : 19%)*. The differences are explained below:

	2022 £000	*2021 £000*
Loss before tax	**(269,494)**	*(88,004)*
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2021 : 19%)	**(51,204)**	*(16,721)*
EFFECTS OF:		
Expenses not deductible for tax purposes	**380**	*380*
Non deductible impairment of investments	**32,228**	*-*
Losses not available for group relief	**11,112**	*16,031*
Non deductible impairment of receivables	**9,212**	*-*
Adjustments in respect of prior years	**(148)**	*(2,229)*
Impact of rate change on deferred tax	**(2,934)**	*554*
Deferred tax not recognised	**9,972**	*-*
TOTAL TAX CHARGE/(CREDIT) FOR THE YEAR	**8,618**	*(1,985)*

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

12. INTANGIBLE ASSETS

	Intangible assets £000
COST	
At 1 January 2022	50,730
Additions	756
Disposals	(10,970)
At 31 December 2022	40,516
ACCUMULATED AMORTISATION	
At 1 January 2022	27,927
Charge for the year	3,750
Disposals	(6,620)
At 31 December 2022	25,057
NET BOOK VALUE	
At 31 December 2022	15,459
At 31 December 2021	*22,803*

Intangible assets primarily relate to costs for Enterprise Resource Planning (ERP) systems.

Amortisation charges relate to intangible assets which are fully operational.

Disposals represent derecognition of assets no longer in use with no consideration receivable.

13. TANGIBLE ASSETS

	Freehold property £000	Plant, machinery and vehicles £000	Leasehold property £000	Total £000
COST				
At 1 January 2022	8,459	1,162	10,659	20,280
Additions	-	197	-	197
Disposals	-	(184)	-	(184)
At 31 December 2022	8,459	1,175	10,659	20,293
ACCUMULATED DEPRECIATION				
At 1 January 2022	3,680	399	4,497	8,576
Charge for the year	143	254	1,363	1,760
Disposals	-	(173)	-	(173)
At 31 December 2022	3,823	480	5,860	10,163
NET BOOK VALUE				
At 31 December 2022	4,636	695	4,799	10,130
At 31 December 2021	*4,779*	*763*	*6,162*	*11,704*

Leasehold property comprises entirely right-of-use assets recognised in accordance with IFRS 16.

Plant, machinery and vehicles also includes right-of-use assets recognised in accordance with IFRS 16 with a book value as at 31 December 2022 of £258,000 (2021: £214,000). This book value reflects additions during the year of £155,000 (2021: £110,000), disposals at a cost of £97,000 (2021: £94,000) and depreciation charged during the year of £104,000 (2021: £108,000). Accumulated depreciation on assets disposed of totalled £90,000 (2021: £86,000).

14. INVESTMENTS

	Investments in subsidiary companies £000
COST OR VALUATION	
At 1 January 2022	742,912
Additions	125,250
At 31 December 2022	868,162
IMPAIRMENT	
At 1 January 2022	37,089
Impairment	169,622
At 31 December 2022	206,711
NET BOOK VALUE	
At 31 December 2022	661,451
At 31 December 2021	*705,823*

14. INVESTMENTS (CONTINUED)

During the year, the company increased existing investments in Arriva International Limited by £125,000,000 (2021: £Nil) and in Arriva Insurance Co. Gibraltar Limited by £250,000 (2021: £Nil) .

Under IAS 36, an impairment review is performed in respect of Arriva Plc's investment in subsidiaries, whenever an indicator of impairment has been identified. An indicator of impairment was identified in respect of the company's investment in Arriva UK Bus Investments Limited, the intermediate holding company for the Arriva group's UK Bus division. This was identified on the basis that the division has been loss-making in recent years. The division was heavily impacted by the outbreak of COVID-19 and has not yet fully recovered to historic levels of profitability from before the outbreak of the pandemic.

The recoverable amount of the investment is determined as the higher of value in use and fair value less costs of disposal. Due to lack of available market information, management have only been able to consider the value of the investment in relation to the value in use. The value in use has been calculated using a discounted cash flow, which is based upon the Arriva group's mid-term plan. The mid-term plan for the UK bus division does include significant cash inflows for the UK bus division, which are one-off in nature and which are not yet contractually committed at the reporting date. As these cash inflows are not yet guaranteed, they have been excluded from the value in use calculation, adversely impacting the enterprise value attributable to the division.

The forecast cash flows for the division have been discounted using the weighted average cost of capital of 7.86%. A growth rate of 2% has been applied to the perpetuity calculation. The equity value for the UK bus division as a whole has been calculated by deducting the net debt across the division from the enterprise value as per the discounted cash flow. The equity value is then compared to the carrying value of Arriva Plc's investment in Arriva UK Bus Investment Limited.

As a result of the impairment review performed, an impairment of £169,622,000 to the investment in Arriva UK Bus Investments Limited has been identified.

14. INVESTMENTS (CONTINUED)

A full list of investments held directly and indirectly in subsidiary companies can be found on pages 56 to 65 with their Registered Offices below:

14.1 1 Admiral Way, Doxford International Business Park, Sunderland, UK, SR3 3XP
14.2 Suite 913, Europort, Gibraltar
14.4 The Ca'D'Oro, 45 Gordon Street, Glasgow, Scotland, G1 3PE
14.5 Via Trebazio, 1, 20145, Milano, Italy
14.6 Piazza Marconi, 4, 24122, Bergamo, Italy
14.7 Via Cassala, 3, 25126, Brescia, Italy
14.8 Via del Patidov 13, 33100, Udine (UD) Italy
14.13 Mileparken 12 A, 2740 Skovlunde Denmark
14.14 Liljeholmsstranden 5, 117 43, Stockholm, Sweden
14.15 Bornholmstraat 60, 9723 AZ, Groningen, Netherlands
14.16 Rua Marcos de Portugal, 10 Laranjeiro, 2810-260, Almada, Portugal
14.17 Rua das Arcas, Pinheiro, Guimaraes, 4810-647, Pinheiro, GMR, Portugal
14.19 C/Jose Abascal 45, PPAL DCHA 28003, Madrid, Spain
14.20 C/Ibiza No. 15, 07400 Alcudia, Mallorca, Spain
14.21 Pol. Ind. Pocomaco, Avda. Quinta, Parcel E-16 15/90, A.Coruna, Spain
14.22 Paseo de la Estacion s/n, 15405, Ferrol, Spain
14.23 C/Fraguas No. 27, Pol. Ind. Urtinsa 28923, Alcorcon. Madrid Spain
14.24 27-31 Andor Street, Budapest, HU-1119, Hungary
14.25 Lastomirska c.1, 071 80, Michalovce, Slovakia
14.26 Povazska 2, 940 14 Nove, Zamky, Slovakia
14.27 Bratislavska cesta 1804, 945 01, Komarno, Slovakia
14.28 Sturova 72, 949 44 Nitra, Slovakia
14.29 Bystricka cesta 62, 034 01, Ruzomberok, Slovakia
14.30 Nitrianska 5, 917 02, Trnava, Slovakia
14.31 Krizikova 148/34, 186 00, Praha 8, Czech Republika
14.32 Vitkovicka 3133/5, 702 00, Ostrava, Moravska Ostrava, Czech Republic
14.33 Na Ostrove 177, 537 01, Chrudim, Czech Republic
14.34 Pod Hajem 97, 267 01 Kraluv, Dvur, Czech Republic
14.35 Zeleznicaru 885, 272 80, Kladno - Krocehlavy, Czech Republic
14.36 Zwirki i Wigury 16a, 02-0912 Warszawa, Poland
14.37 Gen.Jana Henryka Dabrowskiego 8/24 str. 87-100 Torun, Poland
14.38 Mose Pijade 9, Pozarevac, Serbia
14.39 Kolodvorska 11, SI-6000, Koper, Slovenia
14.40 Meljska cesta 97, SI-2000, Maribor, Slovenia
14.42 Cesta marsala Tita, 67 SI-4270, Jesenice, Slovenia
14.44 Sv. L.B Mandica 33, 31000 Osijek, Croatia (Hrvatska)
14.45 Bucharest, 3 Delea Noua St, Ground Floor, sector 3, Romania
14.47 U Stavorservisu 692/1b, Malesice, 108 00 Praha 10
14.48 Setaliste 20. travnja 18, 51557 Cres, Croatia (Hrvatska)
14.49 Jure Turica 8, 53000 Gospic, Croatia (Hrvatska)
14.51 Industrijska 14, 34000 Pozega, Croatia (Hrvatska)
14.52 Prilaz V. Holjevca 2, 47000 Karlovac, Croatia (Hrvatska)
14.53 Trg 133. brigade HV - a 2, 53220 Otocac
14.54 Szekesfehervar, Berenyi ut 72-100/63, 8000 Hungary
14.56 Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD
14.57 Skojtevej 26, 2770 Kastrup, Denmark
14.58 Via della, Pergola, 2, 23900, Lecco, Italy
14.59 Trambaan 3, 8441 BH, Heerenveen, Netherlands

14. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
00741078 Limited	14.1	Ordinary (indirectly held)	100%
Alliance Rail Holdings Limited	14.1	Ordinary (indirectly held)	100%
Ambuline Limited	14.1	Ordinary (indirectly held)	100%
APS (Leasing) Limited	14.1	Ordinary (indirectly held)	100%
Arriva ABC GP Limited	14.56	Ordinary	100%
Arriva ABC Scottish Limited Partnership	14.56	Ordinary (indirectly held)	100%
Arriva Bus & Coach Holdings Limited	14.1	Ordinary (indirectly held)	100%
Arriva Bus & Coach Limited	14.1	Ordinary (indirectly held)	100%
Arriva Cymru Limited	14.1	Ordinary (indirectly held)	100%
Arriva Durham County Limited	14.1	Ordinary (indirectly held)	100%
Arriva East Herts & Essex Limited	14.1	Ordinary (indirectly held)	100%
Arriva Finance Lease Limited	14.1	Ordinary (indirectly held)	100%
Arriva International (Northern Europe) Limited	14.1	Ordinary (indirectly held)	100%
Arriva International (Southern Europe) Limited	14.1	Ordinary (indirectly held)	100%
Arriva International Limited	14.1	Ordinary	100%
Arriva International Trains (Leasing) Limited	14.1	Ordinary (indirectly held)	100%

14. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Arriva Kent & Surrey Limited	14.1	Ordinary (indirectly held)	100%
Arriva Kent Thameside Limited	14.1	Ordinary (indirectly held)	100%
Arriva London North Limited	14.1	Ordinary (indirectly held)	100%
Arriva London Pension Scheme Trustee Limited	14.1	Ordinary	100%
Arriva London South Limited	14.1	Ordinary (indirectly held)	100%
Arriva Manchester Limited	14.1	Ordinary (indirectly held)	100%
Arriva Merseyside Limited	14.1	Ordinary (indirectly held)	100%
Arriva Midlands Limited	14.1	Ordinary (indirectly held)	100%
Arriva Midlands North Limited	14.1	Ordinary (indirectly held)	100%
Arriva Motor Holdings Limited	14.1	Ordinary	100%
Arriva North East Limited	14.1	Ordinary (indirectly held)	100%
Arriva North West Limited	14.1	Ordinary (indirectly held)	100%
Arriva Northumbria Limited	14.1	Ordinary (indirectly held)	100%
Arriva Passenger Services Pension Trustees Limited	14.1	Ordinary (indirectly held)	100%
Arriva Rail East Midlands Limited	14.1	Ordinary (indirectly held)	100%
Arriva Rail London Limited	14.1	Ordinary (indirectly held)	100%
Arriva Rail XC Limited	14.1	Ordinary (indirectly held)	100%

14. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Arriva Rail North Limited	14.1	Ordinary (indirectly held)	100%
Arriva Scotland West Limited	14.4	Ordinary (indirectly held)	100%
Arriva South Eastern Rail Limited	14.1	Ordinary (indirectly held)	100%
Arriva the Shires Limited	14.1	Ordinary (indirectly held)	100%
Arriva Trains Holdings Limited	14.1	Ordinary (indirectly held)	100%
Arriva Trains Wales / Trenau Arriva Cymru Limited	14.1	Ordinary (indirectly held)	100%
Arriva Transport Solutions Limited	14.1	Ordinary (indirectly held)	100%
Arriva Trustee Company Limited	14.1	Ordinary	100%
Arriva UK Bus Holdings Limited	14.1	Ordinary (indirectly held)	100%
Arriva UK Bus Investments Limited	14.1	Ordinary	100%
Arriva UK Bus Limited	14.1	Ordinary (indirectly held)	100%
Arriva UK Bus Properties Limited	14.1	Ordinary (indirectly held)	100%
Arriva UK Trains Limited	14.1	Ordinary (indirectly held)	100%
Arriva Yorkshire Limited	14.1	Ordinary (indirectly held)	100%
At Seat Catering (2003) Limited	14.1	Ordinary (indirectly held)	100%
Centrebus Holdings Limited	14.1	Ordinary (indirectly held)	100%
Classic Coaches (Continental) Limited	14.1	Ordinary (indirectly held)	100%

14. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
DB Regio Tyne and Wear Limited	14.1	Ordinary (indirectly held)	100%
Grand Central Railway Company Limited	14.1	Ordinary (indirectly held)	100%
Great North Eastern Railway Company Limited	14.1	Ordinary (indirectly held)	100%
Great North Western Railway Company Limited	14.1	Ordinary (indirectly held)	100%
Greenline Travel Limited	14.1	Ordinary (indirectly held)	100%
London and North Western Railway Company Limited	14.1	Ordinary (indirectly held)	100%
M40 Trains Limited	14.1	Ordinary (indirectly held)	100%
MTL Services Limited	14.1	Ordinary	100%
Premier Buses Limited	14.1	Ordinary (indirectly held)	100%
Stevensons of Uttoxeter Limited	14.1	Ordinary (indirectly held)	100%
Teamdeck Limited	14.1	Ordinary (indirectly held)	100%
TGM (Holdings) Limited	14.1	Ordinary	100%
TGM Group Limited	14.1	Ordinary (indirectly held)	100%
The Chiltern Railway Company Limited	14.1	Ordinary (indirectly held)	100%
Transcare Solutions Limited	14.1	Ordinary (indirectly held)	100%
White Rose Bus Company Limited	14.1	Ordinary (indirectly held)	100%
XC Trains Limited	14.1	Ordinary (indirectly held)	100%

14. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Yorkshire Tiger Limited	14.1	Ordinary (indirectly held)	100%
Zeta Automotive Limited	14.1	Ordinary	100%
Arriva Bus Abu Dhabi Limited	14.1	Ordinary (indirectly held)	100%
Arriva Bus Transport Polska Sp. z o.o.	14.37	Ordinary (indirectly held)	99.8%
Arriva City s.r.o.	14.47	Ordinary (indirectly held)	100%
Arriva Danmark A/S	14.57	Ordinary (indirectly held)	100%
Arriva Galicia S.L.	14.21	Ordinary (indirectly held)	100%
Arriva Hrvatska d.o.o.	14.44	Ordinary (indirectly held)	100%
Arriva Hungary Zrt.	14.24	Ordinary (indirectly held)	100%
Arriva Insurance A/S	14.57	Ordinary (indirectly held)	100%
Arriva Insurance Company (Gibraltar) Limited	14.2	Ordinary	100%
Arriva Italia Rail S.R.L.	14.5	Ordinary (indirectly held)	100%
Arriva Italia s.r.l.	14.5	Ordinary (indirectly held)	100%
Arriva Holding ApS	14.57	Ordinary (indirectly held)	100%
ARRIVA Liorbus, a. s.	14.29	Ordinary (indirectly held)	60.42%
ARRIVA LISBOA TRANSPORTES SA	14.16	Ordinary (indirectly held)	100%
Arriva LITAS d.o.o.	14.38	Ordinary (indirectly held)	100%

14. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
ARRIVA MADRID MOVILIDAD S.L.	14.23	Ordinary (indirectly held)	100%
ARRIVA Michalovce, a.s.	14.25	Ordinary (indirectly held)	60.14%
Arriva Mobility Solutions, s.r.o.	14.28	Ordinary (indirectly held)	100%
Arriva Multimodaal BV	14.59	Ordinary (indirectly held)	100%
ARRIVA NITRA a.s.	14.28	Ordinary (indirectly held)	60.48%
ARRIVA Nove Zamky, a.s.	14.26	Ordinary (indirectly held)	60.36%
Arriva Personenvervoer Nederland BV	14.59	Ordinary (indirectly held)	100%
Arriva Polska Sp. z o.o.	14.36	Ordinary (indirectly held)	100%
ARRIVA PORTUGAL – TRANSPORTES LDA	14.17	Ordinary (indirectly held)	100%
Arriva RP Sp. z o.o.	14.37	Ordinary (indirectly held)	100%
Arriva Service A/S	14.57	Ordinary (indirectly held)	100%
Arriva Service s.r.o.	14.27	Ordinary (indirectly held)	100%
Arriva Services a.s.	14.34	Ordinary (indirectly held)	100%
ARRIVA Slovakia a.s.	14.28	Ordinary (indirectly held)	100%
ARRIVA SPAIN HOLDING, S.L.	14.19	Ordinary (indirectly held)	100%

14. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Arriva Spain Rail S.A.	14.19	Ordinary (indirectly held)	100%
Arriva, družba za prevoz potnikov, d.o.o.	14.40	Ordinary (indirectly held)	100%
Arriva Stredni Cechy s.r.o.	14.34	Ordinary (indirectly held)	100%
Arriva Techniek BV	14.59	Ordinary (indirectly held)	100%
Arriva Tog A/S	14.57	Ordinary (indirectly held)	100%
Arriva Touring BV	14.15	Ordinary (indirectly held)	100%
Arriva Trains Romania SRL	14.45	Ordinary (indirectly held)	100%
Arriva Transport Ceska Republika a.s.	14.31	Ordinary (indirectly held)	100%
ARRIVA Trnava, a. s.	14.30	Ordinary (indirectly held)	60.50%
ARRIVA VIAJES AGENCIA OPERADORA S.L.	14.23	Ordinary (indirectly held)	100%
Arriva vlaky s.r.o.	14.31	Ordinary (indirectly held)	100%
ARRIVA Autobusy a.s.	14.33	Ordinary (indirectly held)	100%
Autobusni kolodovr d.o.o.	14.52	Ordinary (indirectly held)	93.01%
Autocares Mallorca, s.l.	14.20	Ordinary (indirectly held)	100%
Autos Carballo, S.L.	14.21	Ordinary (indirectly held)	100%

14. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Arriva Udine S.p.A	14.8	Ordinary (indirectly held)	60%
Autotrans d.d.	14.48	Ordinary (indirectly held)	82.01%
Autotrans Lika d.d.	14.53	Ordinary (indirectly held)	79.44%
Bergamo Trasporti Est S.c.a.r.l.	14.6	Ordinary (indirectly held)	93.67%
Bus Nort Balear s.l.	14.20	Ordinary (indirectly held)	100%
BUS Service Jármujavito és Szolgáltató Kft	14.24	Ordinary (indirectly held)	100%
Busdan 32.1 A/S,	14.57	Ordinary (indirectly held)	100%
BUSDAN 35 ApS	14.57	Ordinary (indirectly held)	100%
BUSDAN 42 ApS	14.57	Ordinary (indirectly held)	100%
BUSDAN 37 ApS	14.57	Ordinary (indirectly held)	100%
BUSDAN 38 ApS	14.57	Ordinary (indirectly held)	100%
BUSDAN 39 ApS	14.57	Ordinary (indirectly held)	100%
BUSDAN 40 ApS	14.57	Ordinary (indirectly held)	100%
CSAD MHD Kladno a.s.	14.35	Ordinary (indirectly held)	100%
EMPRESA DE BLAS Y COMPANIA S.A.	14.23	Ordinary (indirectly held)	100%

14. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Estacion de autobuses de Ferrol S.A.	14.22	Ordinary (indirectly held)	80.4%
Integral Avto prodaja, servisi intechnicni pregledi vozil d.o.o.	14.42	Ordinary (indirectly held)	100%
KD SERVIS a.s.	14.35	Ordinary (indirectly held)	100%
NV Personeel de Noord-Westhoek	14.59	Ordinary (indirectly held)	100%
Panturist dionicko drustvo zaprijevoz putnika i turizam d.d.	14.44	Ordinary (indirectly held)	99.88%
SAD INVEST, s.r.o.	14.30	Ordinary (indirectly held)	100%
TRANSURBANOS DE GUIMARAES TP, LDA	14.17	Ordinary (indirectly held)	100%
Trasporti Brescia Nord S.c.a.r.l.	14.7	Ordinary (indirectly held)	92%
Trasporti Brescia Sud S.c.a.r.l.	14.7	Ordinary (indirectly held)	93%
TUF - TRANSPORTESURBANOS DE FAMALICAO,LDA	14.17	Ordinary (indirectly held)	66.67%
UCPLUS A/S	14.13	Ordinary (indirectly held)	100%
ArrivaBus Kft	14.54	Ordinary (indirectly held)	99%
Bergamo Trasporti Ovest S.c.a.r.l	14.6	Ordinary (indirectly held)	65.76%
Lecco Trasporti S.c.a.r.l	14.58	Ordinary (indirectly held)	56.94%
Arriva Metropolitana SL1	14.21	Ordinary (indirectly held)	100%

14. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Arriva Ryvang ApS	14.57	Ordinary (indirectly held)	100%
Arriva Östgötapendeln AB (sold July 2022)	14.14	Ordinary (indirectly held)	100%
Arriva Sverige AB (sold July 2022)	14.14	Ordinary (indirectly held)	100%
Arriva Service AB (sold July 2022)	14.14	Ordinary (indirectly held)	100%
Arriva Tag AB (sold July 2022)	14.14	Ordinary (indirectly held)	100%
Botniatag AB (sold July 2022)	14.14	Ordinary (indirectly held)	60%
Transportes Sul do Tejo S.A (sold December 2022)	14.16	Ordinary (indirectly held)	100%
ARRIVA INVESTIMENTOS SGPS (sold December 2022)	14.16	Ordinary (indirectly held)	100%
ARRIVA TRANSPORTES DA MARGEM SUL, SA (sold December 2022)	14.16	Ordinary (indirectly held)	100%

15. DEBTORS

	2022 £000	2021 £000
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Amounts owed by group undertakings	28,000	*15,201*
Derivative financial instruments (Note 19)	2,383	*6,388*
	30,383	*21,589*

	2022 £000	2021 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Amounts owed by group undertakings	187,036	*238,675*
Other debtors	1,303	*1,907*
Prepayments and accrued income	4,873	*3,176*
Derivative financial instruments (Note 19)	12,601	*6,440*
	205,813	*250,198*

Amounts owed by group undertakings are stated after provision for impairment of £48,482,000 (2021: £nil).

16. CREDITORS: Amounts falling due within one year

	2022 £000	2021 £000
Bank overdrafts	-	*23*
Trade creditors	2,580	*1,387*
Amounts owed to group undertakings	376,706	*196,424*
Group relief payable	14,407	*11,993*
Other taxation and social security	3,683	*1,698*
Lease liabilities	1,867	*1,726*
Other creditors	1,392	*987*
Accruals and deferred income	35,768	*30,346*
Derivative financial instruments (Note 19)	12,601	*6,440*
	449,004	*251,024*

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

	2022 £000	*2021 £000*
Lease liabilities	4,696	*5,781*
Amounts owed to group undertakings	162,512	*170,709*
Accruals and deferred income	5,795	*6,224*
Derivative financial instruments (Note 19)	2,383	*6,388*
	175,386	*189,102*

Amounts owed to group undertakings falling due after more than one year at 31 December 2022 relates entirely to a loan with the company's subsidiary, Arriva International Limited, of £162,512,000 (2021: £170,709,000) to support Loan notes issued by that company under the asset backed contribution (ABC) agreement described in Note 22.

The loan incurs interest of 2.9072% per annum and is repayable in equal semi-annual installments up to June 2039. The amounts falling due after more than five years is £127,266,000 (2021: £135,465,000).

Lease liabilities above include £Nil (2021: £Nil) due after more than 5 years.

18. DEFERRED TAXATION

	2022 £000	*2021 £000*
At 1 January	(2,312)	*15,545*
Charged/(credited) to loss for the financial year (Note 11)	(8,707)	*350*
Credited/(charged) to other comprehensive (expense)/income	11,019	*(18,207)*
At 31 December	-	*(2,312)*

18. DEFERRED TAXATION (CONTINUED)

The deferred taxation balance is made up as follows:

	2022 £000	2021 £000
Difference between capital allowances and depreciation	(252)	*(262)*
Pension surplus	(20,073)	*(33,688)*
Other temporary differences	30,297	*31,638*
Deferred tax asset not recognised / deferred tax liability	**9,972**	*(2,312)*

A deferred tax asset in relation to the above temporary differences as at 31 December 2022 has not been recognised, due to the uncertainty over future taxable income against which those temporary differences could be deducted from.

19. DERIVATIVE FINANCIAL INSTRUMENTS

The company's derivatives comprise diesel fuel swap contracts entered into on behalf of other group companies to hedge their exposure to changes in diesel prices.

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:

	2022 £000	2021 £000
Debtors: Amounts falling due after more than one year (Note 15)	2,383	*6,388*
Debtors: Amounts falling due within one year (Note 15)	12,601	*6,440*
Creditors: Amounts falling due within one year (Note 16)	(12,601)	*(6,440)*
Creditors: Amounts falling due after more than one year (Note 17)	(2,383)	*(6,388)*
	-	-

20. 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.

21. CALLED UP SHARE CAPITAL

	2022 £000	2021 £000
Allotted, called up and fully paid		
204,390,901 *(2021 : 204,390,901)* Ordinary shares of £0.05	**10,220**	*10,220*

22. PENSION SURPLUS NET

The company is deemed to be the principal employer for the Arriva Passenger Services National Pension Scheme (APSNPS) and the Arriva Passenger Services Pension Plan (APSPP). During 2021, both the APSNPS and APSPP were closed to future accrual, with the APSNPS simultaneously closing to new entrants. Contributions to these defined benefit schemes are based upon actuarial advice following the most recent of a regular series of valuations of the schemes by their representative independent actuaries. The company also operates a contract-based defined contribution pension scheme.

The total pension income for the company was £3,374,000 (2021: costs of £16,371,000). The pension costs in respect of the company's contract-based pension scheme were £1,161,000 (2021: £900,000) 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 defined benefit scheme are based on the most recent actuarial valuations, updated to 31 December 2022 by qualified independent actuaries, Willis Towers Watson plc. The schemes assets are stated at their market value at 31 December 2022.

The amounts recognised in the balance sheet are as follows:

	2022 £000	2021 £000
Present value of funded obligations	**(579,304)**	*(889,377)*
Fair value of scheme assets	**659,595**	*1,024,129*
Net pension surplus	**80,291**	*134,752*

The net pension surplus is split between pension schemes in surplus of £100,215,000 and pension schemes in deficit of £19,924,000, as at 31 December 2022 (2021 : pension surpluses of £158,982,000 and pension deficits of £24,230,000).

22. PENSION SURPLUS NET (Continued)

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

	2022 £000	2021 £000
Current service cost	-	(8,657)
Settlement loss on buy-out of APS	-	(902)
Curtailments	-	(11,100)
Interest cost on defined benefit obligation (Note 10)	(16,621)	(14,344)
Interest income on pension scheme assets (Note 10)	19,344	15,350
Pension administration charges - paid by the company	-	(797)
Pension administration charges - paid by the schemes	(3,188)	(2,721)
Contributions paid by other participating employers	3,839	6,800
	3,374	(16,371)

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

	2022 £000	2021 £000
Opening defined benefit obligation	889,377	1,043,354
Current service cost	-	8,657
Interest cost on defined benefit obligation	16,621	14,344
Actuarial gain	(291,653)	(85,068)
Curtailments	-	11,100
Settlements	-	(71,154)
Benefits paid	(35,041)	(35,783)
Member contributions paid	-	3,927
	579,304	889,377

The curtailments in 2021 reflected the impact on the defined benefit obligations of the APSNPS and APSPP arising from the closure to future accrual of both schemes. The settlements in 2021 reflected the derecognition of defined benefit obligations of the APS during the year due to the buy-out transaction.

22. PENSION SURPLUS NET (Continued)

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

	2022 £000	*2021* *£000*
Opening fair value of pension scheme assets	1,024,129	*1,095,724*
Interest income on pension scheme assets	19,344	*15,350*
(Loss)/return on pension scheme assets (excluding interest)	(349,649)	*10,756*
Employer contributions	4,000	*7,128*
Member contributions	-	*3,927*
Pension administration charges	(3,188)	*(2,721)*
Settlements	-	*(70,252)*
Benefits paid	(35,041)	*(35,783)*
	659,695	*1,024,129*

The actual loss on scheme assets for the year was £330,305,000 (2021: return on scheme assets of £26,106,000).

In 2019 DB was released from the guarantees made to certain of the Arriva group's pension schemes (including the APSPP). The key criteria to achieve the release was that each scheme had assets equal to 105% of the liabilities measured on a "Section 179" basis.

The method of achieving the necessary level of funding in the APSPP was for the Arriva group to both pay a special pension contribution and to enter into an Asset Backed Contribution or ABC arrangement involving the formation of a Scottish Limited Partnership – Arriva ABC Scottish Limited Partnership (the "SLP"). The combination of the additional funding and the improvement in security that these arrangements provided to that scheme enabled the scheme's trustees to agree to the release of the guarantee.

The ABC arrangement involves loan notes issued by the company's subsidiary, Arriva International Limited, to the SLP. The SLP partners are entitled to an annual distribution of income from the loan notes, for a period of up to 20 years. The total value of distributions are fixed at £13,000,000 per year, however the share of the distributions attributable to each SLP partner is variable.

The value of SLP distributions receivable by APSPP is dependent on the results of quarterly scheme funding level checks on a Technical Provisions basis. If the scheme has a funding level of more than 100% at two consecutive funding checks, distributions to the scheme will be suspended, with cash flows redirected to the other partners. In the event of a suspension of distributions to the scheme, these will only resume when the funding level is less than 100% at a subsequent quarterly funding level check.

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

	2022 £000	*2021* *£000*
At 1 January	(246,344)	*(342,168)*
Actuarial (loss)/gain	(57,995)	*95,824*
At 31 December	(304,339)	*(246,344)*

22. PENSION SURPLUS NET (continued)

The company and participating employers expect to contribute £13,000,000 to the defined benefit schemes in 2023, relating entirely to ABC contributions.

Principal actuarial assumptions at the balance sheet date:

	2022	2021
	%	%
Discount rate	4.8	1.9
Rate of increase in deferred pensions	2.3	2.5
Future salary increases	1.0	1.0
Future pension increases (APSNPS)	2.0	2.0
Future pension increases (APSPP)	3.0	3.2
Inflation rate	3.3	3.5

The average life expectancy for members aged 65 are male: 19 years (2021: 20 years) and female: 23 years (2021: 22 years). The average life expectancy at 65 for members aged 45 are male: 21 years (2021: 22 years) and female: 24 years (2021: 24 years).

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

	2022	2021
	%	%
Equities	-	3.3
Bonds	43.0	56.7
Infrastructure	22.3	12.2
ABC assets	15.5	12.1
Other	19.2	15.7

All scheme bonds are quoted. The ABC assets, infrastructure assets and other assets are unquoted.

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

	2022	2021
	£000	£000
The actuarial (loss) / gain on defined benefit obligations comprises:		
Experience adjustments on scheme liabilities	(19,562)	(7,340)
Demographic assumptions on scheme liabilities	7,308	2,111
Financial assumptions on scheme liabilities	303,907	90,297

22. PENSION SURPLUS NET (Continued)

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

	2022 £000	2021 £000
Calculated with +1% discount rate	66,353	140,879
Calculated with -1% discount rate	(75,978)	(170,195)
Calculated with +1% inflation rate	(17,930)	(57,038)
Calculated with -1% inflation rate	17,558	54,105
Calculated with +0.5% pension increase rate	(19,182)	(29,622)
Calculated with increased expectation of life of 1 year	(15,062)	(37,354)

At 31 December 2022, the weighted average remaining duration/maturity of the defined benefit obligation was 20 years for the APSNPS and 12 years for the APSPP.

23. 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 Arriva Investments Limited.

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.

24. POST BALANCE SHEET EVENTS

On 8 May 2023 the company made an additional investment of €34,292,921 into its subsidiary, Arriva International Limited. This was in order to support a strategic divestment by Arriva International Limited.

On 15 May 2023, Arriva International Limited, subsidiary of the company, completed the sale of the Arriva group businesses in Denmark and Serbia to Mutares Holding-55 GmbH, an international financial investor. In addition, the sale of the Arriva group's bus business in Poland to Mutares Holding-55 GmbH completed on 15 June 2023.