

Registered number: 347103

ARRIVA PLC

Annual report and financial statements

For the Year Ended 31 December 2020

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ARRIVA PLC

Company Information

Directors

L Holle
C Goeseke
E Palla
I Querner
M Müller
W Bohner
R Lutz
M D Cooper
J Sandvoss
S Klenke

Company secretary

P C Davison

Registered number

347103

Registered office

1 Admiral Way
Doxford International Business Park
Sunderland
Tyne and Wear
SR3 3XP

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

ARRIVA PLC

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**Strategic report
For the Year Ended 31 December 2020**

The directors present their Strategic report for the year ended 31 December 2020.

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; Mainland Europe - Developing Markets; and Mainland Europe – Emerging Markets.

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 24 shows a loss before taxation of £25,926,000 (2019: profit before taxation of £11,464,000). The movement from a profit in 2019 to a loss in 2020 is due to an increase in administrative expenses and impairment costs, partly offset by an increase in dividends received from group undertakings. Administrative expenses in the year were impacted by higher pension costs, with lower contributions by other group companies to pension costs following the implementation of the asset backed contribution ('ABC') arrangement in December 2019.

Impairment costs of £30,470,000 were incurred during the year on intangible assets, reflecting the decision made by the company to cease implementation of the new ERP system and scale back previous plans to deploy this system more widely across the Arriva group.

As at the balance sheet date the company had net assets of £720,571,000 (2019: £840,949,000). The reduction in net assets is due to the loss during the year and the actuarial movements on the pension surplus, net of tax.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's long-term success is dependent on the success of its subsidiaries. An annual assessment is performed to review the scale and probability of the principal risks faced by the Arriva group. As part of its ongoing risks 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.

Strategic report (continued)
For the Year Ended 31 December 2020

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

1. MARKET RISKS

1a. Impact of the Covid-19 pandemic

The coronavirus pandemic has and will continue to significantly impact the Arriva group's passengers, colleagues and other business stakeholders, across all operating markets.

As a public transport operator, Arriva group is dependent on passenger volumes, both directly and through the impact of patronage levels on public transport authority budgets. Passenger numbers have been significantly impacted by lockdowns across the Arriva group's markets and by the associated safety measures that remain in place to ensure the health of passengers and colleagues, including operation of services in adherence to national social distancing rules.

The Arriva group has and continues to work closely with both local and national government bodies and transport authorities on support measures to ensure continuation of critical transportation services during the pandemic. Arriva group has received funding and support measures from a number of government bodies and transport authorities since March 2020. This support demonstrates the essential importance of public transportation, and whilst there is uncertainty as to the continuation of some of these measures, it is clear that Arriva group's services will be integral to recoveries of economic activity in each of the Arriva group's markets as lockdown measures ease, and public health guidelines evolve.

1b. 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 Covid-19 pandemic, 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.

1c. 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 board recognises the importance to the business, especially in the current public health crisis as a public transport operator, of maintaining high standards of safety and the consequences of failing to do so. The health and safety of passengers and colleagues is the board's upmost priority. The Arriva group overseas that standards are maintained and necessary policies are complied with and has introduced additional measures with the aim of assisting subsidiaries to adhere to public health Covid-19 guidelines issued in each of the countries that the group operates.

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.

Strategic report (continued)
For the Year Ended 31 December 2020

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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.

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. Acquisition strategy

Acquisitions 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.

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 decision, particularly in relation to acquisitions, mergers and tenders, are taken at the most appropriate management level for the Arriva group

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 treasury policy.

For further details relating to financial risk management of the Deutsche Bahn group, including funding and liquidity management, please refer to the Deutsche Bahn 2020 Integrated Report.
(<https://ir.deutschebahn.com/en/reports/db-group-and-db-ag/>).

Strategic report (continued)
For the Year Ended 31 December 2020

PRINCIPAL RISKS AND UNCERTAINTIES (continued)**4. FINANCIAL RISKS (continued)****4b. Pension risks**

Increased retirement benefit obligations in the UK may require additional contributions to be made by companies to state or other pension schemes. Increased contributions could have a material impact on the Arriva group. Regular pension strategy reviews are undertaken with the Arriva group's pension advisors and developments in the Arriva group pension schemes and local government/state schemes where the group operates are monitored. Subject to the outcome of consultation with affected group employees, the group is proposing to close three of its UK defined pension schemes to future accrual in 2021, with the company deemed to be the principal employer of two of the affected schemes.

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. As a public transport operator, the Arriva group has been significantly impacted by the Covid-19 pandemic with a resulting impact on passengers, colleagues and other business stakeholders. The Arriva group has and continues to work closely with both local and national government bodies and transport authorities on support measures to ensure continuation of critical transportation services during the pandemic.

The company is a holding company providing central support services for its subsidiary companies which are the operators of passenger transport services. As a provider of central support activities, the company has been less directly impacted by the Covid-19 pandemic than other companies in the Arriva group. However 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 long-standing arrangement operated by DB to manage the liquidity needs of DB group companies, and the company has been party to this arrangement for several years.

Having given due consideration to the impact of the Covid-19 pandemic on the company and Arriva group, the directors are confident that the company will remain within its uncommitted credit facility limit over the assessment period. However, if, for any reason, current planned actions were insufficient to ensure the company remains within its uncommitted credit facility during the assessment period, additional management actions would need to be implemented including delaying or curtailing discretionary expenditures on behalf of the Arriva group. If those actions are insufficient to allow cash requirements to be funded from within the current credit facility additional funding would be required from DB. 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 made available. The directors acknowledge that this represents a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Strategic report (continued)
For the Year Ended 31 December 2020

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 be sufficient to meet the company's operational 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. In completing their going concern assessment, the directors have considered the expected impact of Covid-19 pandemic on the company's financial position and associated management actions to mitigate those impacts.

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

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.

The Wates Corporate Governance Principles (detailed on pages 15 to 20 of the Corporate Governance Report) provides a framework for the Arriva plc Board (the "Board") to demonstrate how it makes decisions for the long-term success of the company and its stakeholders and provide insight into the Board's processes.

The directors work to promote the success of the company, by considering the impact that their decisions may have on the company, along with the company's stakeholders. The issues and factors which have guided the directors' decisions are outlined in the 'Principal Risks and Uncertainties' section of this report.

The Board continues to review and challenge how the company can improve engagement with its employees and stakeholders. The details on how Section 172 of the Act has been addressed is summarised below.

The likely consequence of any decision in the long-term (Section 172(1)(a))

The Arriva group's values are; working as "One Arriva", providing great customer experience, doing the right thing and thinking beyond. These values underpin the Arriva group's vision. Arriva's vision is to be the preferred mobility partner of choice by customers.

The Board holds four scheduled meetings each year and is responsible for establishing and setting the strategy and culture of the Arriva group, including that of the company, and for ensuring that any decisions made which may impact the company are in line with the Arriva group's values and objectives.

Day-to-day management of Arriva plc's operations is delegated to the Arriva Management Board (the "AMB") which is led by the Chief Executive Officer. Further information about the AMB is provided on page 18 of the Corporate Governance Report.

The directors of the company believe that good governance and effective relationships with all stakeholders are key to driving the long-term success of the company. Further information on the company's governance processes is contained in the Corporate Governance Report which can be found on pages 16 to 21, and information on how the company engages with its stakeholders can be found on page 12 of the Directors' Report.

Strategic report (continued)
For the Year Ended 31 December 2020

SECTION 172 STATEMENT (continued)**The interests of the company's employees (Section 172(1)(b))**

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

Further information on engagement with employees during the financial year ended 31 December 2020, including how the company supported employees during the COVID-19 pandemic, is provided in the 'Employee engagement' section of the Directors' report.

The need to foster the company's business relationships with suppliers, customers and others (Section 172(1)(c))

The company's key stakeholders include, but are not limited to:

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

During the financial year ended 31 December 2020, the company engaged with customers and clients to ensure a positive customer experience. Stakeholders, their interests and the manner in which the company engages with them, are integral to how the Arriva group conducts its business. When strategic and operational decisions are considered by the Board, the broader impacts on stakeholders are taken into account.

Further information on engagement with suppliers and customers during the financial year ended 31 December 2020, is provided in the 'Engagement with suppliers, customers and others' section of the Directors' report.

The impact of the company's operations on the community and environment (Section 172(1)(d))

The company is committed to the communities that it serves. At Arriva group a Director of Corporate and Social Responsibility ("CSR") has oversight of strategic commitments for CSR, which forms part of the wider business strategy.

Within its individual business functions, the Arriva group encourages employees to volunteer for charities and projects in the local community. During the financial year ended 31 December 2020, due to the COVID-19 pandemic, it was difficult for employees to undertake volunteering activities but in previous years volunteering activities have included supporting local schools with career advice, as well as various types of fund raising and other projects. Business functions align this work in a manner that fits best with their structure and that maximises the benefit that the company can deliver to its communities.

During the financial year ended 31 December 2020, the Arriva group was involved with a number of initiatives with charities including local and national food banks, refugees, Breast Cancer research, British Heart Foundation and the MS society.

The company has a successful partnership with the Foundation of Light, which is an independent charitable organisation associated with Sunderland football club, which works with local communities through sport, health and education programmes and during 2020 the company supported a number of virtual activities.

Strategic report (continued)
For the Year Ended 31 December 2020

SECTION 172 STATEMENT (continued)

Information on the Arriva group's environmental policy, journey to 'Destination Green' and energy efficiency actions is provided in the 'Streamlined Energy and Carbon Reporting Disclosure' section of the Directors' report.

The desirability of the company maintaining a reputation for high standards of business conduct (Section 172(1)(e))

The company believes that it is important to have a shared Arriva group approach to corporate policy and has implemented the Arriva Standards of Business Conduct, which is a summary of the minimum standards and behaviours expected of all Arriva group employees regardless of location and business.

The Arriva group has also deployed The Arriva Code of Conduct for Business Partners which defines Arriva's requirements and principles for its dealings with its business partners, in particular those relating to compliance with ethical standards, applicable laws as well as integrity.

The company takes payment practice commitments to suppliers seriously and seeks to ensure prompt payment of invoices (in line with Arriva group's defined policies) and a clear process in event of any invoice dispute. The company believes that prompt payment of invoices is key to facilitating a good relationship with suppliers. Several actions have been implemented to drive improvements in payment of invoices, these actions include the following;

- Finance and Procurement have supported functions to address the number of invoices on hold, one of the main reasons for adverse payment practice results.
- Training and weekly reporting
- Remedying supplier payment terms which were incorrectly input into the company's finance system

The need to act fairly as between members of the company (Section 172(1)(f))

The company is a wholly owned subsidiary of Arriva Investments Limited, which is a wholly owned subsidiary of Deutsche Bahn AG, the ultimate parent company of the Arriva group.

KEY PERFORMANCE INDICATORS

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

This report was approved by the Board of Arriva plc on 20 May 2021 and signed on behalf of the Board.


C Goespke
Director

ARRIVA PLC

Directors' report For the Year Ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The loss for the financial year, after taxation, amounted to £66,260,000 (2019 - profit £12,599,000).

The company did not pay a dividend during the year (2019: £47,500,000).

DIRECTORS

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

L Holle (appointed 1 March 2020)
I M Jago (appointed 1 July 2020, resigned 14 December 2020)
C Goeseke (appointed 14 December 2020)
E Palla (appointed 1 August 2020)
M Rudhart (resigned 12 October 2020)
M J Hibbert (resigned 30 June 2020)
M Müller
W Bohner (appointed 1 March 2020)
R Lutz
S Klenke
B Huber (resigned 28 February 2020)
M D Cooper (appointed 12 October 2020)
J Sandvoss (appointed 1 October 2020)
I Querner (appointed 12 May 2021)

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 treasury policy. For further details relating to financial risk management please refer to the Deutsche Bahn 2020 Integrated Report.

Deutsche Bahn AG has also agreed with its owner, the Federal Republic of Germany, a joint approach of dealing with the impact of the Covid-19 pandemic on the Deutsche Bahn Group. The agreement includes provision for up to €5 billion of additional equity support from the Federal Republic of Germany in the Federal Budget for 2020. For further details please refer to the Deutsche Bahn 2020 Integrated Report. (<https://ir.deutschebahn.com/en/reports/db-group-and-db-ag/>).

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.

Directors' report (continued)
For the Year Ended 31 December 2020

EMPLOYEE ENGAGEMENT AND EMPLOYEE INITIATIVES

The company recognises that its employees are key to its success and is committed to creating a working environment where everyone has the opportunity to learn, develop and contribute to the success of the company, whilst working within a common set of values. The company aspires 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 company has a policy of employee involvement and inclusion and, subject to the restraints of commercial confidentiality, makes information available to employees about recent and future developments and the business activities of the company, including financial and economic factors that may have an impact on the company's performance.

The principal decisions impacting the strategy and policies of the company, including those relating to employee and workforce engagement, are communicated by the AMB to the Board at the board meetings. Information communicated to the Board by the AMB about employees and the workforce helped to inform the Board in its decision-making processes. As an example, after considering key stakeholders, in particular impacted employees, a strategic decision was made by the company to cease further implementation of the ERP system and scale back plans to deploy the system more widely across the Arriva group.

The Arriva group conducts biennial employee surveys which are used to highlight areas of improvement, and areas of concern, with the latest survey taking place in 2020. The Arriva Management Board oversees initiatives to improve any areas highlighted by the surveys for improvement, as well as maintaining those areas deemed to be working well. The results of the employee survey in 2020 were communicated via the group's intranet and Yammer pages, in addition meetings were held by line managers with their teams in order to address areas of concern and seek employee input to find solutions.

Information on matters impacting employees, including initiatives arising following the employee surveys, are communicated to employees through briefings via line managers, email bulletins and using the Arriva group's intranet. There is also a weekly update on the Arriva group's intranet called the Friday Feed highlighting success stories. The update is also used to improve connectivity within the Arriva group and to promote working together as One Arriva.

The company has an employee information and consultation committee, the Viewpoint committee, which includes both nominated employee representatives and company representatives. The committee helps to ensure that employees of the company are consulted, and information is shared with them about any potential issues that could affect the future of the company. Examples of the areas the Viewpoint committee may consider include changes to working hours and retirement policies and schemes, significant reorganisation or redeployment of employees and significant changes in the way the company operates.

Leadership Schemes

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

In 2019 Arriva group launched the 'Emerging Leaders' programme which 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 assessment results in a development plan, highlighting what steps they can take to help them achieve these career goals. Following the assessment it is possible for certain candidates to progress to the next phase, which includes leadership workshops and projects.

Directors' report (continued)
For the Year Ended 31 December 2020

EMPLOYEE ENGAGEMENT AND EMPLOYEE INITIATIVES (continued)

The 'Lift Off for Leadership' programme is an initiative for individuals who are still in the early stages of their career, 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.

Supporting employees during the COVID-19 pandemic

The safety and wellbeing of employees is of the utmost importance to the company and has been a key focus area since the start of the COVID-19 pandemic. The company has supported employees through flexible working arrangements, seeking regular feedback and making adjustments so that employees can conduct their roles safely. Maintaining employee engagement has gained new importance whilst working remotely, and senior managers and team leaders have made a particular effort to keep employees informed through regular updates and virtual meetings.

From the outset of the COVID-19 pandemic the Board and the AMB focused their efforts on safeguarding the health and wellbeing of the Arriva group's colleagues and passengers. The Board took decisive action, supported by a resilient business model, to respond to the rapidly changing pandemic. These included adhering to pandemic related policies and guidelines to safeguard the Arriva group's employees and passengers.

The company takes great care to support the mental wellbeing of its colleagues, particularly during the unique circumstances of 2020, and has provided employees with 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.

The company is hopeful that its employees will be able to return to work on-site when it is safe to do so, but during 2020 the majority of its office based staff were able to successfully working from home, where the company's agile deployment of technology solutions enabled them to perform their roles with minimal disruption and to serve the company's customers and stakeholders effectively.

DISABLED EMPLOYEES

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

Directors' report (continued)
For the Year Ended 31 December 2020

ENGAGEMENT WITH STAKEHOLDERS

The Board and each director acknowledge that the success of Arriva group's strategy is reliant on the support and commitment of all of the company's stakeholders. Having stakeholders who believe in the 'Arriva' brand and share the Arriva values is therefore important to the company.

The company's key stakeholders include, but are not limited to:

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

As a geographically and culturally diverse organisation with businesses in 14 countries, 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, 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 its stakeholders. The day-to-day management of the company's operations is delegated to the Arriva Management Board ("AMB") who ensure that each of the businesses are operating in line with the group's shared values and strategic objectives.

The principal 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 board meetings.

During the year the Board considered information from across the Arriva group's businesses, received presentations from management, reviewed papers and reports and took part in discussions which considered, where relevant, the impact of the company's activities on its key stakeholders. These activities, together with direct engagement by the Arriva group's management with the company's stakeholders, helped to inform the Board in its decision-making processes. As an example, after considering key stakeholders, in particular impacted employees, a strategic decision was made by the company to cease further implementation of the ERP system and scale back plans to deploy the system more widely across the Arriva group.

As a Board, the collective role of the directors is to act as effective and responsible stewards of the company. In so doing, the Board ensures that the company is well positioned to achieve long term sustainable success and deliver value for its stakeholders as a whole.

The company 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, group finance, company secretarial, group legal, group audit, and group communications.

Further information on how the company has fostered relationships with suppliers and the local communities in which the company is based is detailed in the Section 172 statement in the Strategic report.

Further information on how the company has fostered relationships with its employees during the financial year ended 31 December 2020 is provided in the Employee Engagement section of this report.

MATTERS COVERED IN THE STRATEGIC REPORT

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

ARRIVA PLC

Directors' report (continued) For the Year Ended 31 December 2020

STREAMLINED ENERGY AND CARBON REPORTING DISCLOSURE (SECR)

UK energy consumption and greenhouse gas emissions for the company for the period 1 January 2020 to 31 December 2020.

Energy usage for the company in the United Kingdom	Current reporting year 2020
Scope 1 – Fuel use from transport and combustion of natural gas tCO ₂ e **	181
Scope 2 - Emissions resulting from the purchase of electricity, including heat, steam or cooling (location based)/tCO ₂ e	157
Scope 3 - Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel/tCO ₂ e	24
Total gross emissions/tCO ₂ e	362
tCO ₂ e per full time equivalent employees	1.02
Energy consumption used to calculate above emissions /kWh	1,742,958

*Due to aggregation of underlying data by the company emissions from business travel (including company owned vehicles) are included in Scope 3

** tCO₂e means tonnes (t) of carbon dioxide (CO₂) equivalent (e)

Methodology

The company is required for the first time to report 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 implement the UK Government's policy on Streamlined Energy and Carbon Reporting. The data detailed in these tables represent 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 personnel with fuel cards. Each fuel card may be used for personal and business purposes, and the emissions data relating to the fuel usage is only available in an aggregated form. 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.

As a wholly owned subsidiary of Deutsche Bahn AG, the company is bound to use their 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 2020.

Directors' report (continued)
For the Year Ended 31 December 2020

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

Environmental policy

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

The EHS policy, which consists of the 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 CO2e emissions, Energy, Water and Waste
- ensuring compliance with local law regulations, and that key environmental risks are mitigated.

The existing environmental strategy for the Arriva group is called Destination Green. The strategy focuses on 4 key areas; fuel use, water consumption, site energy use and recycled waste, and all Arriva group businesses are required to measure their usage in these areas. The next version will be aligned to the ambition goal to support sustainable communities and will set an ambitious net zero carbon goal by 2050.

Energy efficiency actions

The company, and the Arriva group, are committed to reducing their carbon footprint.

In order to promote the environmental efficiency of its premises, during the financial year ended 31 December 2020 the company upgraded its Domestic Hot Water System at its Head Office in Doxford with a more efficient system which will help to reduce the company's gas consumption.

The Arriva group as whole is committed to incorporating the impact of the EU Clean Vehicle Directive into its ways of working. This is demonstrated by a member of the Arriva group being the first company to operate an all-electric bus route in London. The Arriva group has developed a Zero Emission strategy and seeks input and knowledge sharing across the Arriva group through its ZEV Centre of Excellence Network.

Directors' report (continued)
For the Year Ended 31 December 2020

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 judgments and accounting estimates that are reasonable and prudent; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

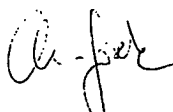
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

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
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the Board of Arriva plc on 20 May 2021 and signed on its behalf.



C Goeseke
Director

**Corporate governance report
For the Year Ended 31 December 2020**

For the year ended 31 December 2020, the company has used the Wates Corporate Governance Principles for Large Private Companies ("Wates") which is prepared in accordance with The Companies (Miscellaneous Reporting) Regulations 2018 (the "Reporting Regulations") and the principles published by the Financial Reporting Council ("FRC") in December 2018.

The new corporate governance reporting requirements under the Reporting Regulations apply to companies reporting for financial years starting on or after 1 January 2019, and in order to comply with the Reporting Regulations, the company has chosen to adopt the Wates principles as an appropriate framework for disclosure of its corporate governance arrangements.

The directors of the company have set out below how the Wates principles have been applied by the company over the financial year ended 31 December 2020.

Principle 1 Purpose and leadership

The company's purpose is to act as the main holding company for the Arriva group of companies.

The Arriva group is a major UK and European public transport operator, providing public transport services in fourteen countries and employing around 46,000 people.

The Arriva group has been owned by Deutsche Bahn AG since August 2010 and operates predominately in two core areas of public transport services namely bus and rail, but it also provides tram and water bus services and access to shared car and bike schemes. Arriva group was one of the first companies to introduce digital demand responsive transport services to the UK, with the ArrivaClick service.

The Arriva group has the following defined vision, strategy and values:

- The vision is to be "Mobility partner of Choice".
- The strategic focus is:
 - "The Best Employees"- great people will choose to work for the Arriva group in an environment where they can succeed.
 - "Preferred by our customers" - customers and clients will choose Arriva group's mobility solutions that are affordable and meet their needs.
 - "A strong foundation"- by growing in existing and new markets Arriva group will further strengthen its strong foundation.
 - "A bigger and better Arriva" - improving existing business will create the platform to enable growth.
- The values are "One Arriva; Great customer experience; Doing the right thing; and Thinking beyond".

The Board approves the Arriva group's strategic objectives and oversees that the necessary resources are in place for the Company to meet these objectives and measures performance against those objectives.

In conjunction with the appointment of both a new Chief Executive and Chief Financial Officer, the Board is facilitating a comprehensive review of the Arriva group, called Project Revitalise, to ensure that the purpose of the business is clearly promoted and that the Arriva group values, strategy and culture are all aligned to this.

**CORPORATE GOVERNANCE REPORT (continued)
FOR THE YEAR ENDING 31 DECEMBER 2020**

Principle 2 Board Composition

At the end of the financial year ended 31 December 2020, the company's board (the "Board") comprised of nine directors, which included the Chief Executive Officer of the Arriva group (the "Arriva CEO"), the Chief Finance Officer of the Arriva group (the "Arriva CFO") and seven other directors who were appointed by the company's ultimate parent company Deutsche Bahn AG. The company also appointed a Company Secretary.

The size and composition of the Board is currently considered to be appropriate with all members contributing to a wide variety of experience.

The roles of the Chairman of the Board and the CEO of the company are separated to help ensure that the balance of responsibilities and decisions are effectively maintained. The Chairman plays a pivotal role in directing the Board meetings and ensuring that the Board receives accurate, timely and clear information.

Mr. Cooper joined the company in October 2020 as the CEO and a member of the Board. Mr. Cooper was previously the CEO of Eurostar and earlier in his career had spent 10 years as a senior employee of Arriva.

In December 2020 Mr. Goeseke joined as the CFO and a member of the Board. Mr. Goeseke has had four previous CFO roles at regional, divisional and group level and most recently before taking the role as Arriva CFO he was the CFO at Swissport in Zurich.

Mr. Cooper and Mr. Goeseke are also members of the AMB. The commonality of Mr. Cooper's and Mr. Goeseke's membership of the Board and the AMB provides a key link between the Board and the operational business which helps to ensure that governance decisions are made with appropriate insight into the Arriva group's day-to-day operations.

The Board is committed to making the Arriva group an ever more inclusive environment and fostering a more diverse workforce at all levels of the business. As an example, in 2019 the Arriva group introduced a programme called "GAIN for Gender", which established the Global Arriva Inclusion Network to support Arriva group's diverse workforce. It is acknowledged that with only two female directors of the Board the Board is not fully aligned to the recommendation of the Hampton-Alexander review that women hold 33% of board positions, although the Arriva Management Board (AMB) is more gender balanced and exceeds the recommendation with three female members which, at the end of the financial year ended 31 December 2020, constituted 44% of the AMB membership.

All directors of the company have access to the advice and services of the Arriva group company secretarial team and may, if they wish, take independent professional advice at the company's expense.

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 the Statutory Directors Handbook (UK only), Arriva's Standards of Business Conduct and on-line training. In addition, the directors of the company are provided with biennial directors' duties training.

Principle 3 Director 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 and the Group Scheme of Delegation, both of which are reviewed periodically by the Arriva group's company secretarial team.

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.

**CORPORATE GOVERNANCE REPORT (continued)
FOR THE YEAR ENDING 31 DECEMBER 2020**

Principle 3 Director Responsibilities (continued)

During much of 2020 the Board has focused on the Arriva group's response to the COVID-19 pandemic, which required the Board to convene outside of the regular meeting schedule to consider the Arriva group's response to the risks created by the pandemic.

Although the Board's oversight of the company is always maintained, the AMB is accountable to the Board for the delivery of the Arriva group's strategy and the day-to-day management of the company's operations, in accordance with the Group Scheme of Delegation.

The following bodies perform key roles in the Arriva group governance regime:

Arriva Management Board (AMB)

The AMB is a sub-committee of the Board and is the senior management forum for the Arriva group.

The AMB is led by the Arriva CEO.

The AMB is collectively responsible for the day-to-day operation of the Arriva group's business and the implementation of the group's strategy. It monitors the Arriva group's operational and financial performance, assessment and control of risk, management of the group's resources and the governance framework, to assist with the effective discharge of legal, ethical and social responsibilities of the Arriva group. The Chief Executive Officer of the company and Chief Financial Officer of the company are members of this sub-committee along with the Director of Corporate Affairs and Managing Directors of each Division: UK Bus; UK Trains; Developing Markets Mainland Europe; and Emerging Markets Mainland Europe. The Strategy and Development Director was also a member of the AMB but left the Arriva group during 2020.

Arriva Finance and Investment Committee

The Arriva Finance and Investment Committee ("FIC") is the sub-committee of the Board which reviews and approves high value potential bids in line with the Arriva group's Scheme of Delegation. The membership of the FIC includes the Chairman of the Board, the Arriva CEO and a nominated representative of Deutsche Bahn AG.

AMB Investment Committee

The AMB Investment Committee ("AMB IC") is a sub-committee of the AMB which meets to consider major investment decisions. The AMB IC considers, reviews and scrutinises potential bids, all external acquisitions and disposals of companies and other projects involving significant expenditure across the Arriva group.

AMB HSE Committee

The AMB Environment, Health and Safety Committee is a sub-committee of the AMB which meets quarterly. It manages the health and safety risk and assesses mitigation for the AMB, and ultimately the Board, to fulfil their overall responsibilities in relation to health, safety and environmental matters.

The induction of new senior managers is led by each division, and locally within each company within the Arriva group. As part of the induction process new senior managers are encouraged to learn about the business in which they operate and their team and are required to complete eLearning on the following subjects: Information Security & Data Protection, Competing Fairly, Financial Crime and Standards of Business Conduct (the "Training Modules"). Within the Standards of Business Conduct module senior managers are provided with training on directors' duties. All Senior managers are required to complete annual refresher training on Training Modules. Conflicts of interest training is included within the financial crime module of the Training Modules, and all office-based staff of the company are required to complete this module when they join the business, and thereafter annually as a refresher.

**CORPORATE GOVERNANCE REPORT (continued)
FOR THE YEAR ENDING 31 DECEMBER 2020**

Principle 3 Director Responsibilities (continued)

The company maintains a conflict register which captures the following information:

- Contact with a competitor or public official – this form captures instances of employee contact with competitors and public officials, including a record of what was discussed, and employees are required to complete this within forty-eight hours of the relevant contact taking place.
 - Conflicts of interest – this form captures instances of conflicts that the company's employees must declare as outlined within the Arriva group's Conflict of Interest Policy and Guidelines.
- Gift, hospitality or donation - this form captures instances of any gift, hospitality and donation that the company's employees must declare in accordance with the Arriva group's Anti-Bribery Policy and Guidelines.

Each company within the Arriva group is also required to develop and maintain their own conflict register.

There is an annual declaration required in relation to any potential conflicts of interest by all Arriva group statutory directors. In addition, new directors must complete a director's appointment pack which contains a list of their statutory duties under the Companies Act 2006, and a declaration of all their current directorships, both internal and external. The information provided by the directors is added to the annual conflicts of interest register maintained by the company's company secretarial team.

Integrity of information

The Board receives timely information in advance of each Board meeting on all key aspects of the business including health and safety, the financial performance of the company, and operational matters.

The financial statements for the company are externally audited by PricewaterhouseCoopers LLP on an annual basis.

Principle 4 Opportunity and Risk

The Board seeks out the best opportunities for the Arriva group, whilst mitigating the potential risks. The company's internal controls framework, which includes audit and compliance teams, BilMoG compliance and financial appraisals regularly review the scale and probability of the associated business risks faced by the Arriva group.

Opportunities

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 in the Arriva group's annual strategy, considered by the Board each year. The Arriva group has clearly defined guidelines for due diligence work and approval of mergers, acquisitions and tenders.

Risk

The Board reviews the risks facing the Arriva group and the controls which are in place. Risk management process and effective internal controls implementation is delegated to the AMB.

The AMB continues to review the control framework of the Arriva group on a regular basis and reports any concerns to the Board.

The Arriva group's internal controls are based around the German accounting law regulations which set out appropriate controls and measures and help evaluate risk management, these controls are regularly reviewed by the Arriva group's internal audit function and monitored by the Arriva group's assurance function.

There are regular updates by the DB internal audit and Arriva group assurance teams to the Board on the Arriva group's control system, and their compliance to the controls framework.

**CORPORATE GOVERNANCE REPORT (continued)
FOR THE YEAR ENDING 31 DECEMBER 2020****Principle 4 Opportunity and Risk (continued)**

The Arriva group's key operational risks and mitigation thereto 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.

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

Responsibilities

The company has developed a governance framework which includes the Arriva group Corporate Governance Manual and the Arriva group's Scheme of Delegation. This framework ensures that the appropriate level of diligence and oversight has been performed when understanding the obligations, risks and terms of each business related transaction. This enables the Arriva group to meet its strategic objectives and all transactions, including group contracts 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 an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. 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 the success and future growth of the business. 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 undertakes an independent review of its total rewards package for senior managers every two to three years 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.

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, customers (including passengers and 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 of how the company has considered the impact of its operations on the community and environment during the financial year ended 31 December 2020, is provided in the Section 172 section of the Strategic report

The Board promotes stakeholder engagement, as well as transparency with all stakeholders and with representatives of local and national government.

Further information on engagement with suppliers and customers during the financial year ended 31 December 2020, is provided in the 'Engagement with suppliers, customers and others' section of the Directors' report.

**CORPORATE GOVERNANCE REPORT (continued)
FOR THE YEAR ENDING 31 DECEMBER 2020**

Principle 6 Stakeholders (continued)

Further information on engagement with employees during the financial year ended 31 December 2020, including how the company supported employees during the COVID-19 pandemic, is provided in the 'Employee engagement' 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 2020 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, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. The company is reliant on the continued funding from Deutsche Bahn AG (ultimate parent undertaking) in the form of a credit facility. The provision of and the amount of the credit facility with Deutsche Bahn AG is not formally committed for a specific period of time, therefore, it could be withdrawn, or additional funds not made available, if required, during the period of 12 months from the date of approval of the financial statements, this may result in the company not being able to continue to meet its operational funding requirements. 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.

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.

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

Reporting on other information (continued)

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 2020 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.

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.

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

Auditors' responsibilities for the audit of the financial statements (continued)

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, employment and tax 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. 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 regulation;
- Challenging assumptions and judgements made by management in their significant accounting estimates and forecasts, in particular in relation to impairment of investments and consideration of the impact of COVID-19 on going concern;
- 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.

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
20 May 2021

ARRIVA PLC

Statement of comprehensive income For the Year Ended 31 December 2020

	Note	2020 £000	2019 £000
Administrative expenses		(90,789)	(49,888)
Other operating income		32,846	35,777
Impairment of intangible assets	13	(30,470)	-
OPERATING LOSS	4	(88,413)	(14,111)
Income from shares in group undertakings		60,000	31,000
Amounts written off investments	15	(1,200)	(426)
Interest receivable and similar income	8	9,359	567
Interest payable and similar expenses	9	(8,477)	(1,550)
Other finance credit / (charges)		2,805	(4,016)
(LOSS) / PROFIT BEFORE TAXATION		(25,926)	11,464
Taxation on (loss) / profit	12	(40,334)	1,135
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		(66,260)	12,599
Other comprehensive expense:			
Items that will not be reclassified to profit or loss:			
Actuarial loss on pension surplus		(66,812)	(91,562)
Movements in deferred tax related to actuarial loss on pension surplus	19	12,694	17,626
Other comprehensive expense net of tax		(54,118)	(73,936)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(120,378)	(61,337)

The notes on pages 27 to 69 form part of these financial statements.

ARRIVA PLC
Registered number: 347103

Balance sheet
As at 31 December 2020

	Note	2020 £000	2019 £000
FIXED ASSETS			
Intangible assets	13	31,356	64,088
Tangible assets	14	14,366	16,358
Investments	15	705,823	705,323
		<u>751,545</u>	<u>785,769</u>
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	16	24,854	28,454
Debtors: amounts falling due within one year	16	269,273	315,401
Cash at bank and in hand		3,733	576
		<u>297,860</u>	<u>344,431</u>
Creditors: amounts falling due within one year	17	(180,297)	(189,377)
Net current assets		<u>117,563</u>	<u>155,054</u>
Total assets less current liabilities		<u>869,108</u>	<u>940,823</u>
Creditors: amounts falling due after more than one year	18	(200,907)	(224,159)
NET ASSETS EXCLUDING PENSION SURPLUS		<u>668,201</u>	<u>716,664</u>
Pension surplus net	23	52,370	124,285
Net assets		<u><u>720,571</u></u>	<u><u>840,949</u></u>
Capital and reserves			
Called up share capital	22	10,220	10,220
Share premium account		418,361	418,361
Other reserves	21	60,882	60,882
Profit and loss account		231,108	351,486
Total shareholders' funds		<u><u>720,571</u></u>	<u><u>840,949</u></u>

The financial statements, on pages 24 to 69, were approved and authorised for issue by the Board of Arriva plc and were signed on its behalf on 20 May 2021.


C Goeseke
Director

The notes on pages 27 to 69 form part of these financial statements.

ARRIVA PLC

Statement of changes in equity For the Year Ended 31 December 2020

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2019	10,220	34,861	60,882	460,323	566,286
Comprehensive income for the year					
Profit for the financial year	-	-	-	12,599	12,599
Actuarial loss on pension schemes	-	-	-	(91,562)	(91,562)
Movements of deferred tax relating to actuarial loss on pension schemes	-	-	-	17,626	17,626
Other comprehensive expense for the year	-	-	-	(73,936)	(73,936)
Total comprehensive expense for the year	-	-	-	(61,337)	(61,337)
Dividends paid (Note 11)	-	-	-	(47,500)	(47,500)
Shares issued during the year	-	383,500	-	-	383,500
At 31 December 2019 and 1 January 2020	10,220	418,361	60,882	351,486	840,949
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(66,260)	(66,260)
Actuarial loss on pension schemes	-	-	-	(66,812)	(66,812)
Movements in deferred tax related to actuarial loss on pension schemes	-	-	-	12,694	12,694
Other comprehensive expense for the year	-	-	-	(54,118)	(54,118)
Total comprehensive expense for the year	-	-	-	(120,378)	(120,378)
At 31 December 2020	10,220	418,361	60,882	231,108	720,571

The notes on pages 27 to 69 form part of these financial statements.

**Notes to the financial statements
For the Year Ended 31 December 2020**

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 2020 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. As a public transport operator, the Arriva group has been significantly impacted by the Covid-19 pandemic with a resulting impact on passengers, colleagues and other business stakeholders. The Arriva group has and continues to work closely with both local and national government bodies and transport authorities on support measures to ensure continuation of critical transportation services during the pandemic.

The company is a holding company providing central support services for its subsidiary companies which are the operators of passenger transport services. As a provider of central support activities, the company has been less directly impacted by the Covid-19 pandemic than other companies in the Arriva group. However 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 long-standing arrangement operated by DB to manage the liquidity needs of DB group companies, and the company has been party to this arrangement for several years.

Having given due consideration to the impact of the Covid-19 pandemic on the company and Arriva group, the directors are confident that the company will remain within its uncommitted credit facility limit over the assessment period. However, if, for any reason, current planned actions were insufficient to ensure the company remains within its uncommitted credit facility during the assessment period, additional management actions would need to be implemented including delaying or curtailing discretionary expenditures on behalf of the Arriva group. If those actions are insufficient to allow cash requirements to be funded from within the current credit facility additional funding would be required from DB. 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 made available. The directors acknowledge that this represents a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

**Notes to the financial statements
For the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES (CONTINUED)**1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)****GOING CONCERN (continued)**

The directors have prepared the financial statements on a going concern basis as they expect the existing financing will remain in place and be sufficient to meet the company's operational 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. In completing their going concern assessment, the directors have considered the expected impact of Covid-19 pandemic on the company's financial position and associated management actions to mitigate those impacts.

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

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.

**Notes to the financial statements
For the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES (CONTINUED)

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.

From 1 January 2019, tangible assets include right-of-use assets under lease arrangements. Note 1.18 outlines the accounting policies for such assets.

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 and other right-of-use assets	- 1 to 8 years (being 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.

**Notes to the financial statements
For the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES (CONTINUED)

1.5 DEBTORS

Trade and other debtors 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.

1.6 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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business and are initially stated at fair value and are measured subsequently at amortised cost using the effective interest method.

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.

**Notes to the financial statements
For the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES (CONTINUED)

1.9 PENSIONS

During the year the company operated a contract-based pension scheme. The pension charge represents the amounts payable by the company to the scheme in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

The company operates and is the principal employer of the Arriva Pension Scheme, a defined benefit pension scheme recognised within the financial statements.

The company is also deemed to be the principal employer of the Arriva Passenger Services National Pension Scheme (APSNPS) and the Arriva Passenger Services Pension Plan (APSPP). These defined benefit pension schemes are also 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.

The defined benefit obligations are calculated using the projected unit credit method. Formal actuarial valuations are carried out by an independent actuary on a triennial basis, with updated calculations being prepared at each balance sheet date by qualified independent actuaries. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

The cost of providing future benefits (service cost) is charged to comprehensive income as required. The return on scheme assets and interest obligation on scheme liabilities is included in other finance charges.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period they arise.

**Notes to the financial statements
For the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES (CONTINUED)**1.10 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are recognised as a financial asset or a financial liability in the balance sheet at the trade date. Derivative financial instruments are initially and subsequently measured at fair value 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 EXCEPTIONAL ITEMS

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

**Notes to the financial statements
For the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES (CONTINUED)

1.12 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

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

The company is a qualifying entity for the purpose of FRS 101 and Note 24 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

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

The equivalent disclosures are included in the consolidated financial statements of the ultimate parent company, Deutsche Bahn AG, in accordance with the application guidance of FRS 100.

**Notes to the financial statements
For the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES (CONTINUED)**1.13 CURRENT AND DEFERRED TAXATION**

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

The current tax charge or credit is based on the taxable profit for the year. Taxable profit can differ from the profit or loss before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, or that are never taxable or deductible. The company's liability or asset relating to current tax is calculated using rates prevailing during the year.

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

**Notes to the financial statements
For the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES (CONTINUED)

1.14 FOREIGN CURRENCIES

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

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

Exchange gains and losses are recognised within interest in the statement of comprehensive income.

1.15 DIVIDEND INCOME AND PAYMENTS

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

1.16 DEFERRED INCOME

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

1.17 OTHER OPERATING INCOME

Other operating income is derived from licences for the use of the Arriva brand, management charges, ERP and IT charges, rental income and other services excluding value added tax. 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.

**Notes to the financial statements
For the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES (CONTINUED)

1.18 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.

2. GENERAL INFORMATION

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

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

Notes to the financial statements
For the Year Ended 31 December 2020

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Application of certain company accounting policies required management to make judgements, assumptions and estimates concerning the future as detailed below.

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 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.

**Notes to the financial statements
For the Year Ended 31 December 2020**

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 period. 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:

Impairment of intangible assets

Intangible assets are reviewed annually for any indicators of impairment. Following their review, the directors identified that the carrying value of certain intangible assets relating to ERP systems were impaired at 31 December 2020. See Note 13 for the carrying amount of the intangible fixed assets and details of the impairment charge recognised in the year.

Impairment of investments

The company reviews investments annually for any indicator of impairment, and where an indicator is identified, an estimate is made of the recoverable amount. The review identified impairments were required to certain investments during the year. See Note 15 for further details on the impairments and for the carrying amount of investments.

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 23 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 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 16). 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 23.

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (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 APSP'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 2020.
- 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%.
- 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 of to reflect the illiquidity of the loan notes. At 31 December 2020 this illiquidity premium was 1%.

4. OPERATING LOSS

The operating loss is stated after charging:

	2020	2019
	£000	£000
Depreciation of tangible fixed assets	2,450	2,277
Impairment of intangible assets	30,470	-
Amortisation of intangible assets	5,782	5,461
Loss on disposal of tangible fixed assets	192	7
Staff costs (Note 6)	41,727	16,824
Lease expenses		
Expenses related to short-term leases	29	113
Expenses related to leases of low-value assets	-	16

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

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:

	2020 £000	2019 £000
Fees for the audit of the company	71	94
Fees for non-audit services to the company	-	-
Other services	3	33
Tax advisory services	91	63
Audit related assurance services	5	213

The audit related assurance services for the year ending 31 December 2019 include fees borne by the company on behalf of various subsidiary undertakings.

6. STAFF COSTS

Staff costs were as follows:

	2020 £000	2019 £000
Wages and salaries	28,607	28,688
Social security costs	3,297	3,373
Other pension costs	9,823	(15,237)
	<u>41,727</u>	<u>16,824</u>

Contributions to the Arriva Passenger Services Pension Plan (APSP) are also made by other participating employers. The contributions paid by other participating employers during the year totalled £6.1 million (2019: £26.3 million) and are credited to other pension costs. The decrease in contributions paid by other participating employers compared to 2019 reflects the revised contribution arrangements that came into effect following the creation of the ABC in December 2019 (see Note 23).

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

	2020 No.	2019 No.
Administrative	<u>334</u>	<u>353</u>

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

7. DIRECTORS' EMOLUMENTS

	2020 £000	2019 £000
Directors' emoluments	3,303	1,973
	<u>3,303</u>	<u>1,973</u>

The increase in emoluments between 2019 and 2020 reflects additional contractual entitlements that fell due to exiting Directors in the year.

The emoluments include £10,000 (2019: £Nil) of contributions paid by the company to contract-based pension schemes for 1 director (2019: none). They also include compensation paid for loss of office of £87,000 (2019: £Nil) in respect of 1 director (2019: none).

Excluded from the emoluments figure above are payments made to former directors totalling £Nil (2019: £276,804).

Highest paid director

Emoluments of the highest paid director were £2,152,000 (2019: £1,243,000).

The value of the company's contributions paid to contract-based pension schemes in respect of the highest paid director amounted to £Nil (2019: £Nil).

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £000	2019 £000
Interest receivable from group undertakings	118	462
Other interest receivable	3	105
Fair value gain on amounts due from group undertakings	9,238	-
	<u>9,359</u>	<u>567</u>

The fair value gain on amounts due from group undertakings represents the change in value of the company's partnership interest in the SLP. Refer to Note 3.2 for details of key assumptions impacting the valuation of this asset and Note 16 for the carrying amount at the balance sheet date.

Notes to the financial statements
For the Year Ended 31 December 2020

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £000	2019 £000
Interest payable to group undertakings	6,195	954
Interest on lease liabilities	183	213
Net exchange loss on foreign currency transactions	181	302
Other interest payable	5	81
Waiver of loans receivable from group undertakings	1,913	-
	<u>8,477</u>	<u>1,550</u>

The increase in interest payable to group undertakings in the year reflects the impact of a full year of interest on the loan due to Arriva International Limited, which was entered into in December 2019. Refer to Note 18 for further details on the loan.

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

10. OTHER FINANCE CREDIT / (CHARGES)

	2020 £000	2019 £000
Interest income on pension scheme assets (Note 23)	20,521	17,247
Interest cost on defined benefit obligation (Note 23)	(17,716)	(21,263)
Total other finance credit / (charges)	2,805	(4,016)

11. DIVIDENDS PAID

	2020 £000	2019 £000
Dividends paid on ordinary shares	-	47,500
	-	47,500

12. TAXATION ON (LOSS) / PROFIT

	2020 £000	2019 £000
CORPORATION TAX		
Current tax on (loss) / profit for the year	-	(18,565)
Adjustments in respect of prior years	10,090	503
	10,090	(18,062)
Total current tax charge / (credit)	10,090	(18,062)
Deferred tax		
Origination and reversal of timing differences	793	16,301
Adjustments in respect of prior years	29,451	626
TOTAL DEFERRED TAX CHARGE	30,244	16,927
TOTAL TAXATION CHARGE/(CREDIT) ON (LOSS) / PROFIT	40,334	(1,135)

During 2019 the company made significant one-off pension contributions to its defined benefit pension schemes (including £230m paid to the Arriva Passenger Services Pension Plan (APSP)). At the time the 2019 accounts were finalised, it was assumed that corporation tax relief for those contributions would be enjoyed by Arriva plc. Subsequent to the accounts being signed, the corporation tax returns for Arriva plc and its UK subsidiaries were prepared up on the basis that relief for the pension contributions would be instead enjoyed by certain of Arriva plc's UK subsidiaries (as opposed to Arriva plc).

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

12. TAXATION ON (LOSS) / PROFIT (CONTINUED)

FACTORS AFFECTING TAX CHARGE / (CREDIT) FOR THE YEAR

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit before tax	(25,926)	11,464
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(4,926)	2,178
EFFECTS OF:		
Expenses not deductible for tax purposes	384	982
Non-taxable dividend income	(11,400)	(5,890)
Losses not allowable	16,936	-
Adjustments in respect of prior years	39,541	1,130
Non-deductible impairment of fixed asset investment	228	81
Impact of rate change on deferred tax	(429)	384
TOTAL TAX CHARGE / (CREDIT) FOR THE YEAR	40,334	(1,135)

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%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by around £5,000,000 and to increase the deferred tax asset by the same amount.

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

13. INTANGIBLE ASSETS

	Intangible assets under development £000	Intangible assets £000	Total £000
COST			
At 1 January 2020	17,655	59,233	76,888
Additions	4,053	-	4,053
Disposals	(109)	(3,612)	(3,721)
At 31 December 2020	21,599	55,621	77,220
AMORTISATION AND IMPAIRMENT			
At 1 January 2020	-	12,800	12,800
Charge for the year	-	5,782	5,782
Disposals	(109)	(3,079)	(3,188)
Impairment charge	21,708	8,762	30,470
At 31 December 2020	21,599	24,265	45,864
NET BOOK VALUE			
At 31 December 2020	-	31,356	31,356
At 31 December 2019	17,655	46,433	64,088

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

ERP systems were being implemented throughout the Arriva group using a phased integration therefore some elements of the project being live and fully implemented with other elements that were under development.

During the year, a decision was made to pause further implementation of certain ERP systems and to discontinue use of other systems, resulting in impairment losses of £30,470,000.

Amortisation charges relate to intangible assets which are fully operational.

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

14. TANGIBLE ASSETS

	Freehold property £000	Plant, machinery and vehicles £000	Leasehold property £000	Total £000
Cost				
At 1 January 2020	8,459	4,334	10,014	22,807
Additions	-	52	645	697
Disposals	-	(1,063)	-	(1,063)
At 31 December 2020	8,459	3,323	10,659	22,441
Accumulated depreciation				
At 1 January 2020	3,394	1,693	1,362	6,449
Charge for the year	143	643	1,664	2,450
Disposals	-	(824)	-	(824)
At 31 December 2020	3,537	1,512	3,026	8,075
NET BOOK VALUE				
At 31 December 2020	4,922	1,811	7,633	14,366
At 31 December 2019	5,065	2,641	8,652	16,358

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 2020 of £220,000 (2019: £333,000). This book value reflects additions during the year of £53,000, disposals at a cost of £114,000 and depreciation charged during the year of £135,000. Accumulated depreciation on assets disposed of totalled £112,000.

ARRIVA PLC

**Notes to the financial statements
For the Year Ended 31 December 2020**

15. INVESTMENTS

	Investments in subsidiary companies £000
COST OR VALUATION	
At 1 January 2020	741,212
Additions	1,700
At 31 December 2020	<u>742,912</u>
IMPAIRMENT	
At 1 January 2020	35,889
Charge for the year	1,200
At 31 December 2020	<u>37,089</u>
NET BOOK VALUE	
At 31 December 2020	<u>705,823</u>
<i>At 31 December 2019</i>	<u>705,323</u>

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

15. INVESTMENTS (CONTINUED)

During the year the company increased its investment in Zeta Automotive Limited and Arriva Insurance Company (Gibraltar) Limited. The company also fully impaired the additional investment in Zeta Automotive Limited, to reflect the underlying assets of this company at the end of the year.

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

A full list of investments held directly and indirectly in subsidiary companies can be found on pages 50 to 60 with their Registered Offices below:

- 15.1 1 Admiral Way, Doxford International Business Park, Sunderland, UK, SR3 3XP
- 15.2 Suite 913, Europort, Gibraltar
- 15.4 The Ca'D'Oro, 45 Gordon Street, Glasgow, Scotland, G1 3PE
- 15.5 Via Trebazio, 1, 20145, Milano, Italy
- 15.6 Piazza Marconi, 4, 24122, Bergamo, Italy
- 15.7 Via Cassala, 3, 25126, Brescia, Italy
- 15.8 Via del Patidov 13, 33100, Udine (UD) Italy
- 15.9 Via della Repubblica, 14, 10095, Grugliasco (TO), Italy
- 15.10 Via Postumia, 102, 26100, Cremona, Italy
- 15.12 Strada Pont, Suaz, 6, 11100, Aosta, Italy
- 15.13 Mileparken 12 A, 2740 Skovlunde Denmark
- 15.14 Liljeholmsstranden 5, 117 43, Stockholm, Sweden
- 15.15 Bornholmstraat 60, 9723 AZ, Groningen, Netherlands
- 15.16 Rua Marcos de Portugal, 10 Laranjeiro, 2810-260, Almada, Portugal
- 15.17 Rua das Arcas, Pinheiro, Guimaraes, 4810-647, Pinheiro, GMR, Portugal
- 15.19 C/Jose Abascal 45, PPAL DCHA 28003, Madrid, Spain
- 15.20 C/Ibiza No. 15, 07400 Alcudia, Mallorca, Spain
- 15.21 Pol. Ind. Pocomaco, Avda. Quinta, Parcel E-16 15/90, A.Coruna, Spain
- 15.22 Paseo de la Estacion s/n, 15405, Ferrol, Spain
- 15.23 C/Fraguas No. 27, Pol. Ind. Urtinsa 28923, Alcorcon. Madrid Spain
- 15.24 27-31 Andor Street, Budapest, HU-1119, Hungary
- 15.25 Lastomirska c.1, 071 80, Michalovce, Slovakia
- 15.26 Povazska 2, 940 14 Nove, Zamky, Slovakia
- 15.27 Bratislavská cesta 1804, 945 01, Komarno, Slovakia
- 15.28 Sturova 72, 949 44 Nitra, Slovakia
- 15.29 Bystrická cesta 62, 034 01, Ruzomberok, Slovakia
- 15.30 Nitrianska 5, 917 02, Trnava, Slovakia
- 15.31 Krizikova 148/34, 186 00, Praha 8, Czech Republika
- 15.32 Vitkovicka 3133/5, 702 00, Ostrava, Moravska Ostrava, Czech Republic
- 15.33 Na Ostrove 177, 537 01, Chrudim, Czech Republic
- 15.34 Pod Hajem 97, 267 01 Kraluv, Dvur, Czech Republic
- 15.35 Zeleznícaru 885, 272 80, Kladno - Krocehlavy, Czech Republic
- 15.36 Zwirki i Wigury 16a, 02-0912 Warsawza, Poland
- 15.37 Gen.Jana Henryka Dabrowskiego 8/24 str. 87-100 Torun, Poland
- 15.38 Mose Pijade 9, Pozarevac, Serbia
- 15.39 Kolodvorska 11, SI-6000, Koper, Slovenia
- 15.40 Meljska cesta 97, SI-2000, Maribor, Slovenia
- 15.41 Ulica Mirka, Vadenova 8, SI-4000, Kranj, Slovenia
- 15.42 Cesta marsala Tita, 67 SI-4270, Jesenice, Slovenia
- 15.43 Perovo 30, SI-1241, Kamnik, Slovenia
- 15.44 Sv. L.B Mandica 33, 31000 Osijek, Croatia (Hrvatska)
- 15.45 Bucharest, 3 Delea Noua St, Ground Floor, sector 3, Romania
- 15.47 U Stavorservisu 692/1b, Malesice, 108 00 Praha 10
- 15.48 Setaliste 20. travnja 18, 51557 Cres, Croatia (Hrvatska)

**Notes to the financial statements
For the Year Ended 31 December 2020**

15. INVESTMENTS (CONTINUED)

- 15.49 Jure Turica 8, 53000 Gospic
- 15.50 Hanloch, Hans-Bockler-Str.55, Hassloch, 67454
- 15.51 Industrijska 14, 34000 Pozega, Croatia (Hrvatska)
- 15.52 Prilaz V. Holjevcica 2, 47000 Karlovac, Croatia (Hrvatska)
- 15.53 Trg 133. brigade HV - a 2, 53220 Otocac
- 15.54 Szekesfehervar, Berenyi ut 72-100/63, 8000 Hungary
- 15.56 Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD
- 15.57 Skojtevej 26, 2770 Kastrup, Denmark
- 15.58 Via della Pergola, 2, 23900, Lecco, Italy
- 15.59 Trambaan 3, 8441 BH, Heerenveen, Netherlands

ARRIVA PLC**Notes to the financial statements
For the Year Ended 31 December 2020****15. INVESTMENTS (CONTINUED)****SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
00741078 Limited	15.1	Ordinary (indirectly held)	100%
Alliance Rail Holdings Ltd	15.1	Ordinary (indirectly held)	100%
Ambuline Limited	15.1	Ordinary (indirectly held)	100%
APS (Leasing) Ltd	15.1	Ordinary (indirectly held)	100%
Arriva ABC GP Limited	15.56	Ordinary (indirectly held)	100%
Arriva ABC Scottish Limited Partnership	15.56	Ordinary (indirectly held)	100%
Arriva Bus&Coach Holdings Limited	15.1	Ordinary (indirectly held)	100%
Arriva Bus&Coach Ltd	15.1	Ordinary (indirectly held)	100%
Arriva Cymru Limited	15.1	Ordinary (indirectly held)	100%
Arriva Durham County Limited	15.1	Ordinary (indirectly held)	100%
Arriva East Herts&Essex Ltd	15.1	Ordinary (indirectly held)	100%
Arriva Finance Lease Limited	15.1	Ordinary (indirectly held)	100%
Arriva International (Northern Europe) Limited	15.1	Ordinary (indirectly held)	100%
Arriva International (Southern Europe) Limited	15.1	Ordinary (indirectly held)	100%
Arriva International Limited	15.1	Ordinary	100%
Arriva International Trains (Leasing) Limited	15.1	Ordinary (indirectly held)	100%

ARRIVA PLC

**Notes to the financial statements
For the Year Ended 31 December 2020**

15. INVESTMENTS (CONTINUED)**SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Registered office	Class of shares	Holding
Arriva Kent&Surrey Limited	15.1	Ordinary (indirectly held)	100%
Arriva Kent Thameside Limited	15.1	Ordinary (indirectly held)	100%
Arriva London North Limited	15.1	Ordinary (indirectly held)	100%
Arriva London Pension Scheme Trustee Limited	15.1	Ordinary (indirectly held)	100%
Arriva London South Limited	15.1	Ordinary (indirectly held)	100%
Arriva Manchester Limited	15.1	Ordinary (indirectly held)	100%
Arriva Merseyside Limited	15.1	Ordinary (indirectly held)	100%
Arriva Midlands Limited	15.1	Ordinary (indirectly held)	100%
Arriva Midlands North Limited	15.1	Ordinary (indirectly held)	100%
Arriva Motor Holdings Limited	15.1	Ordinary	100%
Arriva North East Limited	15.1	Ordinary (indirectly held)	100%
Arriva North West Limited	15.1	Ordinary (indirectly held)	100%
Arriva Northumbria Limited	15.1	Ordinary (indirectly held)	100%
Arriva Passenger Services Pension Trustees Limited	15.1	Ordinary (indirectly held)	100%
Arriva Rail East Midlands Limited	15.1	Ordinary (indirectly held)	100%
Arriva Rail London Limited	15.1	Ordinary (indirectly held)	100%

**Notes to the financial statements
For the Year Ended 31 December 2020**

15. INVESTMENTS (CONTINUED)**SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Registered office	Class of shares	Holding
Arriva Rail North Limited	15.1	Ordinary (indirectly held)	100%
Arriva Rail XC Limited	15.1	Ordinary (indirectly held)	100%
Arriva Scotland West Limited	15.4	Ordinary (indirectly held)	100%
Arriva South Eastern Rail Limited	15.1	Ordinary (indirectly held)	100%
Arriva the Shires Limited	15.1	Ordinary (indirectly held)	100%
Arriva Trains Holdings Limited	15.1	Ordinary (indirectly held)	100%
Arriva Trains Wales/Trenau Arriva Cymru Limited	15.1	Ordinary (indirectly held)	100%
Arriva Transport Solutions Limited	15.1	Ordinary (indirectly held)	100%
Arriva Trustee Company Limited	15.1	Ordinary	100%
Arriva UK Bus Holdings Limited	15.1	Ordinary (indirectly held)	100%
Arriva UK Bus Investments Limited	15.1	Ordinary	100%
Arriva UK Bus Limited	15.1	Ordinary (indirectly held)	100%
Arriva UK Bus Properties Limited	15.1	Ordinary (indirectly held)	100%
Arriva UK Trains Limited	15.1	Ordinary (indirectly held)	100%
Arriva Yorkshire Ltd	15.1	Ordinary (indirectly held)	100%
At Seat Catering (2003) Limited	15.1	Ordinary (indirectly held)	100%
Centrebus Holdings Limited	15.1	Ordinary (indirectly held)	100%

**Notes to the financial statements
For the Year Ended 31 December 2020**

15. INVESTMENTS (CONTINUED)**SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Registered office	Class of shares	Holding
Classic Coaches (Continental) Limited	15.1	Ordinary (indirectly held)	100%
DB Regio Tyne and Wear Limited	15.1	Ordinary (indirectly held)	100%
Grand Central Railway Company Limited	15.1	Ordinary (indirectly held)	100%
Great North Eastern Railway Company Limited	15.1	Ordinary (indirectly held)	100%
Great North Western Railway Company Limited	15.1	Ordinary (indirectly held)	100%
Greenline Travel Limited	15.1	Ordinary (indirectly held)	100%
London and North Western Railway Company Limited	15.1	Ordinary (indirectly held)	100%
M40 Trains Limited	15.1	Ordinary (indirectly held)	100%
MTL Services Limited	15.1	Ordinary	100%
Premier Buses Ltd	15.1	Ordinary (indirectly held)	100%
Stevensons of Uttoxeter Limited	15.1	Ordinary (indirectly held)	100%
Teamdeck Limited	15.1	Ordinary (indirectly held)	100%
TGM (Holdings) Limited	15.1	Ordinary	100%
TGM Group Limited	15.1	Ordinary (indirectly held)	100%
The Chiltern Railway Company Limited	15.1	Ordinary (indirectly held)	100%
Transcare Solutions Limited	15.1	Ordinary (indirectly held)	100%
White Rose Bus Company Limited	15.1	Ordinary (indirectly held)	100%

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

15. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
XC Trains Limited	15.1	Ordinary (indirectly held)	100%
Yorkshire Tiger Limited	15.1	Ordinary (indirectly held)	100%
Zeta Automotive Limited	15.1	Ordinary	100%
ACTIJOVEN CONSULTING&TRAVELLING s.l.	15.23	Ordinary (indirectly held)	100%
Arriva Alpetour, družba za prevoz potnikov, d.o.o.	15.41	Ordinary (indirectly held)	100%
Arriva Bus Abu Dhabi Limited	15.1	Ordinary (indirectly held)	100%
Arriva Bus Transport Polska Sp. z o.o.	15.37	Ordinary (indirectly held)	99.8%
Arriva City s.r.o.	15.47	Ordinary (indirectly held)	100%
Arriva Danmark A/S	15.57	Ordinary (indirectly held)	100%
Arriva Dolenjska in Primorska, družba za prevoz potnikov, d.o.o.	15.39	Ordinary (indirectly held)	99.95%
Arriva Galicia S.L.	15.21	Ordinary (indirectly held)	100%
Arriva Hrvatska d.o.o.	15.44	Ordinary (indirectly held)	100%
Arriva Hungary Zrt.	15.24	Ordinary (indirectly held)	100%
Arriva Insurance A/S	15.57	Ordinary (indirectly held)	100%
Arriva Insurance Company (Gibraltar) Limited	15.2	Ordinary	100%
ARRIVA INVESTIMENTOS SGPS	15.16	Ordinary (indirectly held)	100%
Arriva Italia Rail S.R.L.	15.5	Ordinary (indirectly held)	100%

ARRIVA PLC**Notes to the financial statements
For the Year Ended 31 December 2020****15. INVESTMENTS (CONTINUED)****SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Registered office	Class of shares	Holding
Arriva Italia s.r.l.	15.5	Ordinary (indirectly held)	100%
Arriva Kam-Bus družba za prevoz potnikov, d.o.o.	15.43	Ordinary (indirectly held)	100%
Arriva Letbane ApS	15.57	Ordinary (indirectly held)	100%
ARRIVA Liorbus, a. s.	15.29	Ordinary (indirectly held)	60.42%
ARRIVA LISBOA TRANSPORTES SA	15.16	Ordinary (indirectly held)	100%
Arriva LITAS d.o.o.	15.38	Ordinary (indirectly held)	100%
ARRIVA MADRID MOVILIDAD S.L.	15.23	Ordinary (indirectly held)	100%
ARRIVA Michalovce, a.s.	15.25	Ordinary (indirectly held)	60.14%
Arriva Mobility Solutions, s.r.o.	15.28	Ordinary (indirectly held)	100%
Arriva Morava a.s.	15.32	Ordinary (indirectly held)	100%
Arriva Multimodaal BV	15.59	Ordinary (indirectly held)	100%
ARRIVA NITRA a.s.	15.28	Ordinary (indirectly held)	60.48%
ARRIVA Nove Zamky, a.s.	15.26	Ordinary (indirectly held)	60.36%
Arriva Östgötapendeln AB	15.14	Ordinary (indirectly held)	100%
Arriva Personenvervoer Nederland BV	15.59	Ordinary (indirectly held)	100%

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

15. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Arriva Polska Sp. z o.o.	15.36	Ordinary (indirectly held)	100%
ARRIVA PORTUGAL – TRANSPORTES LDA	15.17	Ordinary (indirectly held)	100%
Arriva RP Sp. z o.o.	15.37	Ordinary (indirectly held)	100%
Arriva Service A/S	15.57	Ordinary (indirectly held)	100%
Arriva Service s.r.o.	15.27	Ordinary (indirectly held)	100%
Arriva Services a.s.	15.34	Ordinary (indirectly held)	100%
ARRIVA Slovakia a.s.	15.28	Ordinary (indirectly held)	100%
ARRIVA SPAIN HOLDING, S.L.	15.19	Ordinary (indirectly held)	100%
Arriva Spain Rail S.A.	15.19	Ordinary (indirectly held)	100%
Arriva, družba za prevoz potnikov, d.o.o.	15.40	Ordinary (indirectly held)	100%
Arriva Stredni Cechy s.r.o.	15.34	Ordinary (indirectly held)	100%
Arriva Sverige AB	15.14	Ordinary (indirectly held)	100%
Arriva Service AB	15.14	Ordinary (indirectly held)	100%
Arriva Tag AB	15.14	Ordinary (indirectly held)	100%
Arriva Techniek BV	15.59	Ordinary (indirectly held)	100%

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

15. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Arriva Tog A/S	15.57	Ordinary (indirectly held)	100%
Arriva Touring BV	15.15	Ordinary (indirectly held)	100%
Arriva Trains Romania SRL	15.45	Ordinary (indirectly held)	100%
Arriva Transport Ceska Republika a.s.	15.31	Ordinary (indirectly held)	100%
ARRIVA TRANSPORTES DA MARGEM SUL, SA	15.16	Ordinary (indirectly held)	100%
ARRIVA Trnava, a. s.	15.30	Ordinary (indirectly held)	60.50%
ARRIVA VIAJES AGENCIA OPERADORA S.L.	15.23	Ordinary (indirectly held)	100%
Arriva vlaky s.r.o.	15.31	Ordinary (indirectly held)	100%
Arriva Východní Čechy a.s.	15.33	Ordinary (indirectly held)	100%
Autobusni kolodovr d.o.o.	15.52	Ordinary (indirectly held)	93.01%
Autocares Mallorca, s.l.	15.20	Ordinary (indirectly held)	100%
Autoprometno poduzece d.d.	15.51	Ordinary (indirectly held)	90.21%
Autos Carballo, S.L.	15.21	Ordinary (indirectly held)	100%
Autoservizi F.V.G. S.P.A. – SAF	15.8	Ordinary (indirectly held)	60%
Autotrans d.d.	15.48	Ordinary (indirectly held)	82.01%

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

15. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Autotrans Lika d.d.	15.53	Ordinary (indirectly held)	79.44%
Bergamo Trasporti Est S.c.a.r.l.	15.6	Ordinary (indirectly held)	93.67%
Botniatag AB	15.14	Ordinary (indirectly held)	60%
Bus Nort Balear s.l.	15.20	Ordinary (indirectly held)	100%
BUS Service Járműjavító és Szolgáltató Kft	15.24	Ordinary (indirectly held)	100%
Busdan 32.1 A/S,	15.57	Ordinary (indirectly held)	100%
BUSDAN 35 ApS	15.57	Ordinary (indirectly held)	100%
BUSDAN 36 ApS	15.57	Ordinary (indirectly held)	100%
BUSDAN 37 ApS	15.57	Ordinary (indirectly held)	100%
BUSDAN 38 ApS	15.57	Ordinary (indirectly held)	100%
BUSDAN 39 ApS	15.57	Ordinary (indirectly held)	100%
BUSDAN 40 ApS	15.57	Ordinary (indirectly held)	100%
CSAD MHD Kladno a.s.	15.35	Ordinary (indirectly held)	100%
EMPRESA DE BLAS Y COMPANIA S.A.	15.23	Ordinary (indirectly held)	100%
ESFERA BUS S.L.	15.23	Ordinary (indirectly held)	100%

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

15. INVESTMENTS (CONTINUED)

SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Registered office	Class of shares	Holding
Estacion de autobuses de Ferrol S.A.	15.22	Ordinary (indirectly held)	80.4%
Integral Avto prodaja, servisi intehnicni pregledi vozil d.o.o.	15.42	Ordinary (indirectly held)	100%
KD SERVIS a.s.	15.35	Ordinary (indirectly held)	100%
KM S.P.A.	15.10	Ordinary (indirectly held)	100%
NETOSEC S.L.	15.23	Ordinary (indirectly held)	100%
NV Personeel de Noord-Westhoek	15.59	Ordinary (indirectly held)	100%
PAA Pan Alpen AdriaInternationalePersonenverkehrssysteme	15.50	Ordinary (indirectly held)	100%
Panturist dionicko drustvo zaprijevoz putnika i turizam d.d.	15.44	Ordinary (indirectly held)	99.88%
S.A.B. AUTOSERVIZI S.R.L.	15.6	Ordinary (indirectly held)	100%
S.I.A. Società Italiana Autoservizi S.P.A.	15.7	Ordinary (indirectly held)	100%
SAB Piemonte S.r.l. a sociounico	15.9	Ordinary (indirectly held)	100%
SAD INVEST, s.r.o.	15.30	Ordinary (indirectly held)	100%
SADEM – SOCIETÀ PER AZIONI	15.9	Ordinary (indirectly held)	100%
SAVDA Autoservizi Valle d'Aosta S.p.A.	15.12	Ordinary (indirectly held)	100%
Transportes Sul do Tejo S.A.	15.16	Ordinary (indirectly held)	100%

**Notes to the financial statements
For the Year Ended 31 December 2020**

15. INVESTMENTS (CONTINUED)**SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Registered office	Class of shares	Holding
TRANSURBANOS DE GUIMARAES TP, LDA	15.17	Ordinary (indirectly held)	100%
Trasporti Brescia Nord S.c.a.r.l.	15.7	Ordinary (indirectly held)	92%
Trasporti Brescia Sud S.c.a.r.l.	15.7	Ordinary (indirectly held)	93%
TUF - TRANSPORTESURBANOS DE FAMALICAO, LDA	15.17	Ordinary (indirectly held)	66.67%
UCPLUS A/S	15.13	Ordinary (indirectly held)	100%
Velebit Turist d.o.o.	15.49	Ordinary (indirectly held)	100%
VT-ARRIVA Kft.	15.54	Ordinary (indirectly held)	99%
Bergamo Trasporti Ovest S.c.a.r.l.	15.6	Ordinary (indirectly held)	65.76%
Lecco Trasporti S.c.a.r.l.	15.58	Ordinary (indirectly held)	56.94%
Arriva Metropolitana SLU	15.21	Ordinary (indirectly held)	100%

ARRIVA PLC

Notes to the financial statements For the Year Ended 31 December 2020

16. DEBTORS

	2020 £000	2019 £000
Amounts falling due after more than one year		
Amounts owed by group undertakings	16,700	7,462
Derivative financial instruments (Note 20)	8,154	20,992
	<u>24,854</u>	<u>28,454</u>

	2020 £000	2019 £000
Amounts falling due within one year		
Trade debtors	36	13
Amounts owed by group undertakings	234,238	255,708
Other debtors	3,192	6,793
Prepayments and accrued income	5,469	8,476
Deferred taxation (Note 19)	15,545	33,095
Derivative financial instruments (Note 20)	10,793	11,316
	<u>269,273</u>	<u>315,401</u>

17. CREDITORS: Amounts falling due within one year

	2020 £000	2019 £000
Bank overdrafts	28	20
Trade creditors	3,856	2,551
Amounts owed to group undertakings	126,500	151,267
Group relief payable	17,556	2,421
Other taxation and social security	1,843	2,386
Lease liabilities	1,815	1,703
Other creditors	908	969
Accruals and deferred income	16,998	16,744
Derivative financial instruments (Note 20)	10,793	11,316
	<u>180,297</u>	<u>189,377</u>

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

	2020	<i>2019</i>
	£000	<i>£000</i>
Lease liabilities	7,292	<i>9,079</i>
Amounts owed to group undertakings	178,673	<i>186,410</i>
Accruals and deferred income	6,788	<i>7,678</i>
Derivative financial instruments (Note 20)	8,154	<i>20,992</i>
	200,907	<i>224,159</i>

Amounts owed to group undertakings falling due after more than one year at 31 December 2020 relates entirely to a loan with the company's subsidiary, Arriva International Limited, of £178,673,000 (2019: £186,410,000) to support Loan notes issued by that company under the asset backed contribution (ABC) agreement described in Note 23.

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 £145,404,000 (2019: £154,087,000).

Lease liabilities above include £604,000 (2019: £2,324,000) due after more than 5 years.

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Notes to the financial statements For the Year Ended 31 December 2020

19. DEFERRED TAX ASSET

	2020 £000	2019 £000
At 1 January	33,095	32,396
Charged to (loss)/profit for the financial year (Note 12)	(30,244)	(16,927)
Credited to other comprehensive expense	12,694	17,626
At 31 December	15,545	33,095

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Difference between capital allowances and depreciation	(808)	(574)
Pension surplus	(9,950)	(21,128)
Other timing differences	26,303	54,797
	15,545	33,095

20. 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:

	2020 £000	2019 £000
Debtors: Amounts falling due after more than one year (Note 16)	8,154	20,992
Debtors: Amounts falling due within one year (Note 16)	10,793	11,316
Creditors: Amounts falling due within one year (Note 17)	(10,793)	(11,316)
Creditors: Amounts falling due after more than one year (Note 18)	(8,154)	(20,992)
	-	-

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Notes to the financial statements For the Year Ended 31 December 2020

21. 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.

22. CALLED UP SHARE CAPITAL

	2020 £000	2019 £000
Allotted, called up and fully paid		
204,390,901 (2019 - 204,390,901) Ordinary shares of £0.05	10,220	10,220

23. PENSION COMMITMENTS

At 31 December 2020 the company operated a defined benefit scheme, the Arriva Pension Scheme, which is financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees. The company also operates a contract-based pension scheme.

The company is also deemed to be the principal employer for the Arriva Passenger Services National Pension Scheme (APSNPS) and the Arriva Passenger Services Pension Plan (APSPP), which are also recognised within the financial statements. APSNPS is an open scheme where new and existing members accrue benefits in line with their length of service. APSPP is closed to new members, but its existing active members continue to accrue benefits. Contributions to the defined benefit funds are based upon actuarial advice following the most recent of a regular series of valuations of the funds by their representative independent actuaries.

The total pension cost for the company was £6.1 million (2019: £12.3 million credit). The pension costs in respect of the company's contract based pension scheme were £0.8 million (2019: £1.1 million) and there were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

IAS 19 'Employee Benefits' (revised 2011)

The calculations used to assess the IAS 19 'Employee Benefits' (revised 2011) of the retirement benefit scheme are based on the most recent actuarial valuations, updated to 31 December 2020 by qualified independent actuaries, Willis Towers Watson Plc. The schemes assets are stated at their market value at 31 December 2020.

The amounts recognised in the balance sheet are as follows:

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Notes to the financial statements For the Year Ended 31 December 2020

23. PENSION COMMITMENTS (continued)

	2020 £000	2019 £000
Present value of funded obligations	(1,043,354)	(900,202)
Fair value of scheme assets	1,095,724	1,024,487
Pension surplus	52,370	124,285

The net pension surplus is split between pension schemes in surplus of £91,622,000 and pension schemes in deficit of £39,252,000, as at 31 December 2020 (2019: pension surpluses of £140,837,000 and pension deficits of £16,553,000).

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

	2020 £000	2019 £000
Current service cost	(8,973)	(6,712)
Interest cost on defined benefit obligation (Note 10)	(17,716)	(21,263)
Interest income on pension scheme assets (Note 10)	20,521	17,247
Pension administration charges - paid by the company	(649)	(362)
Pension administration charges - paid by the schemes	(2,668)	(2,877)
Contributions paid by other participating employers	6,094	26,315
Past service cost	(2,724)	-
	(6,115)	12,348

The actual return on scheme assets for the year was £91,936,000 (2019: £26,976,000).

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

	2020 £000	2019 £000
Opening defined benefit obligation	900,202	792,625
Current service cost	8,973	6,712
Interest cost on defined benefit obligation	17,716	21,263
Actuarial loss	138,227	101,291
Past service cost	2,724	-
Benefits paid	(30,486)	(28,175)
Member contributions paid	5,998	6,486
	1,043,354	900,202

Notes to the financial statements
For the Year Ended 31 December 2020

23. PENSION COMMITMENTS (continued)

The past service cost represents the directors' best estimate of the impact on the company's defined benefit pension obligations as a result of the High Court of Justice of England and Wales' judgement on 20 November 2020 relating to Guaranteed Minimum Pension (GMP) equalisation for past transfers. The judgement requires pension schemes to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due to members who exercised their statutory right to transfer their benefits out of these schemes as a result of GMP equalisation.

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

	2020 £000	2019 £000
Opening fair value of pension scheme assets	1,024,487	617,670
Interest income on pension scheme assets	20,521	17,247
Return on pension scheme assets (excluding interest)	71,415	9,729
Employer contributions	6,457	404,407
Member contributions	5,998	6,486
Pension administration charges	(2,668)	(2,877)
Benefits paid	(30,486)	(28,175)
	<u>1,095,724</u>	<u>1,024,487</u>

**Notes to the financial statements
For the Year Ended 31 December 2020**

23. PENSION COMMITMENTS (continued)

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 a newly formed 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 significant pension contributions during the year ended 31 December 2019 reflects the impact of the above arrangements.

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 £13.1 million 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:

	2020	2019
	£000	£000
At 1 January	(275,356)	(183,795)
Actuarial loss	(66,812)	(91,561)
At 31 December	(342,168)	(275,356)

The company and participating employers expect to contribute £9.3 million to the defined benefit pension schemes in 2021.

**Notes to the financial statements
For the Year Ended 31 December 2020**

23. PENSION COMMITMENTS (continued)**Principal actuarial assumptions at the balance sheet date:**

	2020	2019
	%	%
Discount rate	1.3	2.0
Rate of increase in deferred pensions	2.1	2.1
Future salary increases	1.0	1.0
Future pension increases (Arriva Passenger Services National Pension scheme)	1.9	1.9
Inflation rate	3.1	3.1

Future pension increases for the Arriva Pension Scheme and Arriva Passenger Services Pension Plan were 2.9% (2019: 2.9%).

The average life expectancy for members aged 65 are male: 20 years (2019: 20 years) and female: 22 years (2019: 22 years). The average life expectancy at 65 for members aged 45 are male: 22 years (2019: 22 years) and female: 24 years (2019: 23 years).

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

	2020	2019
	%	%
Equities	42.1	17.6
Bonds	22.6	29.0
Infrastructure	9.6	6.9
ABC assets	12.1	12.4
Insured liabilities	7.0	7.1
Other	6.6	27.0

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

	2020	2019
	£000	£000
Defined benefit obligation	(1,043,354)	(900,202)
Pension scheme assets	<u>1,095,724</u>	<u>1,024,487</u>
Pension surplus	<u>52,370</u>	<u>124,285</u>
Experience adjustments on scheme liabilities	17,313	(16,109)
Demographic assumptions on scheme liabilities	(18,665)	(19,560)
Financial assumptions on scheme liabilities	(136,873)	(104,742)

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Notes to the financial statements For the Year Ended 31 December 2020

23. PENSION COMMITMENTS (continued)

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

	2020 £000	2019 £000
Calculated with +1% discount rate	159,483	141,409
Calculated with -1% discount rate	(191,395)	(170,318)
Calculated with +1% inflation rate	(76,621)	(60,840)
Calculated with -1% inflation rate	71,518	57,415
Calculated with +0.5% pension increase rate	(35,667)	(30,776)
Calculated with increased expectation of life of 1 year	(45,908)	(36,008)

At 31 December 2020, the weighted average remaining duration/maturity of the defined benefit obligation was 13 years for the Arriva Pension Scheme, 27 years for the Arriva Passenger Services National Pension Scheme and 16 years for the Arriva Passenger Services Pension Plan.

24. 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.

25. POST BALANCE SHEET EVENT

Subject to the outcome of consultation with affected group employees, the group is proposing to close three of its UK defined pension schemes to future accrual in 2021. The company is deemed to be the principal employer for two of the affected schemes; the Arriva Passenger Services National Pension Scheme (APSNPS) and the Arriva Passenger Services Pension Plan (APSPP). As part of the proposal, APSNPS would also be closed to new members.

The financial impact of the potential curtailments cannot be quantified at this time, as they are dependant on the proposals being implemented and finalisation of actuarial valuations at the date of closure of each scheme to future accrual.