

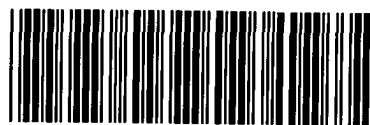
Registered number: 02328467

# ARRIVA LONDON SOUTH LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended 31 DECEMBER 2021

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**ARRIVA LONDON SOUTH LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	S Rawal A Jones G C Davies J M Perkin
<b>Registered number</b>	02328467
<b>Registered office</b>	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

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**ARRIVA LONDON SOUTH LIMITED**

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## ARRIVA LONDON SOUTH LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present their Strategic report for the year ended 31 December 2021.

#### PRINCIPAL ACTIVITIES

The principal activity of the company is that of the operation of bus services.

#### REVIEW OF BUSINESS

The company's statement of comprehensive income on page 18 shows a profit before tax for the year of £3,119,000 (2020: £5,146,000). Like all Operators, the Business continues to be impacted from the effects of COVID-19. Whilst patronage is recovering, levels are still below the pre-COVID 2019 levels. The decrease in profit before tax primarily reflects higher costs of sales, specifically staff, engineering and insurance costs, with these higher costs only partially offset by the increase in Turnover.

At the balance sheet date, the company had net assets of £59,066,000 (2020: £59,836,000). The decrease in net assets is primarily due to the loss for the year, partially offset by the favourable movement in the fair value of derivative financial instruments held by the company.

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

#### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to local and national competition and factors which would cause a decline in the market. Further discussion of these risks and uncertainties in the context of the Arriva group as a whole, is provided in the annual report of the UK intermediate parent company, Arriva plc, which does not form part of this report.

#### KEY PERFORMANCE INDICATORS

The Management Board of Deutsche Bahn AG, the company's ultimate parent company, manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development performance and position of the group, including this company, is discussed in the Deutsche Bahn AG Integrated Report which does not form part of this report.

#### SECTION 172 STATEMENT

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

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

The directors of the company 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.

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**SECTION 172 STATEMENT (CONTINUED)**

Effective communication is integral to building stakeholder relationships. Understanding the company's stakeholders and how they and their interests will impact on the success of the company over the long-term is a key part of the Board decision making. Listening, identifying future needs and being able to respond quickly is critical. Teams across the company's businesses use a variety of channels and approaches to engage with customers, assessing satisfaction and gathering feedback.

The Arriva group's values during 2021 were working as "One Arriva", providing great customer experience, doing the right thing and thinking beyond. These values underpinned the Arriva group's strategy and vision. Arriva group's vision was to be the preferred mobility partner of choice by customers, and its strategy was to have the best employees to strengthen its existing strong foundation and improve its business to create a platform for growth.

For a number of years these values have been at the heart of the Arriva group and represented what the group stood for, what made the group unique helping to guide and develop the strategy and decision making of the Board.

At the end of 2020, as part of a wider project, the Arriva plc Board took the decision to refresh the Arriva group's vision and strategy with the aim of strengthening the group's relationships with clients and partners, growing the business and crucially achieving the Arriva group's higher ambition of having a neutral impact on the planet. This review was completed in early 2022.

The Arriva group's new vision is to 'help shape a future where passenger transport is the best choice'; a future where people choose to leave their cars at home and use the group's services, with less congestion on the roads, and cleaner air for the next generation.

The Arriva group's mission is to become 'the leading passenger transport partner across Europe' and its renewed purpose is to 'connect people and communities safely, reliably and sustainably, and to deliver these services in a better way, every day'.

The objective of the Arriva group's new values is that they will help to guide new ways of working and will help in achieving the groups mission and realising its vision. The values start with:

- caring passionately about colleagues, customers, clients and the planet;
- doing the right thing each and every day; and
- finding opportunities to make the difference in everything we do.

The implementation of the strategy and policies of the company, including those relating to its relationships with key stakeholders, are managed by the board of the company, and oversight is provided by the Arriva UK Bus division Executive Leadership Team. Any major matters of interest are then communicated to the Arriva Management Board (the "AMB"), a subcommittee of the board of Arriva plc. The membership of the AMB includes the Managing Director of the UK Bus division.

The directors of the company aim to meet monthly to discuss the matters that cannot be delegated under the Companies Act 2006 and believe that good governance is key to driving the success of the company.

The company takes payment practice commitments to suppliers seriously and seeks to ensure prompt payment of invoices (in line with Arriva group's policies), and that there is a clear process in the event of any invoice dispute. The company believes that prompt payment of invoices is key to facilitating a good relationship with its suppliers.

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## ARRIVA LONDON SOUTH LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### SECTION 172 STATEMENT (CONTINUED)

The company is committed to the communities that it serves. At Arriva Group an Internal Communications and Engagement Director has oversight of strategic commitments for Corporate Social Responsibility, 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 2021, 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. This work was undertaken in a manner that fits best with the company's structure and that maximises the benefit that the company can deliver to its communities.

In addition to the group activities, the UK Bus division supports local charitable/charity initiatives which are meaningful and relevant to the local teams and customer base.

Further information on engagement with employees during the financial year ended 31 December 2021 is provided in the 'Employee engagement' section of the Directors' report.

Further information on engagement with customers during the financial year ended 31 December 2021 is provided in the 'Engagement with suppliers, customers and others' section of the Directors' report.

#### FUTURE DEVELOPMENTS

The company is a wholly owned subsidiary of Arriva UK Bus Holdings Limited and part of the Arriva group which Deutsche Bahn AG heads. As a public transport operator, the Arriva group has been significantly impacted by the COVID-19 coronavirus pandemic with a resulting impact on passengers, colleagues, and other business stakeholders. The Arriva group has and continues to work closely with both local and national government bodies and transport authorities on support measures to ensure continuation of critical transportation services as patronage growth recovers beyond the pandemic.

The company, as with other London bus operators, experienced a significant reduction in passenger numbers from March 2020 onwards, following the implementation of the UK Government's measures to mitigate the public health impacts of the COVID-19 pandemic. Passenger numbers continue to remain below pre-pandemic levels but are recovering and the company continues to work with Transport for London ('TfL') on service levels moving forwards.

#### Revenue risk

As the company's income is predominantly receivable from TfL by way of contractual payments for the routes it operates, passenger numbers and journeys remaining below pre-pandemic levels does not directly impact the payments receivable under its contracts. However, receipt of contractually due payments under these agreements is ultimately dependent on the financial position of TfL and the company is dependent upon these payments being made.

A long-term TfL funding settlement has been agreed between TfL and the Department for Transport ('DfT') and was announced on 30 August 2022. This long-term funding settlement follows four previous emergency and temporary funding packages put into place since March 2020, and will remain in effect until 31 March 2024, or until TfL and the DfT agree that TfL has reached financial sustainability if sooner. Under the terms of the funding settlement, TfL will be protected from passenger revenue risk, with the DfT providing financial support to fund shortfalls between TfL's costs and revenue up to an agreed annual envelope of operational and capital expenditure. The agreement reflects the DfT's recognition that London's transport network is reliant on fare revenue and their commitment to supporting that network by mitigating the loss of fare revenue as a result of the pandemic.

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## ARRIVA LONDON SOUTH LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### FUTURE DEVELOPMENTS (CONTINUED)

##### Revenue risk (continued)

The timing of completion of TfL's path to financial sustainability and whether TfL would require additional support beyond 31 March 2024 remains unclear. However, the Secretary of State for Transport publicly stated in the 30 August 2022 funding announcement that the DfT recognises that TfL has long-term financial commitments beyond the funding period. The Secretary of State for Transport also noted that TfL is not expected to fund major capital enhancements or renewals from its operating incomes and that further capital funding support from the DfT beyond 31 March 2024 may be required should TfL not be able to fund such spending from its own resources.

##### Liquidity risk

The company voluntarily participates in a group cash and credit facility pooling arrangement operated 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. Under the arrangement substantially all the company's cash and utilised credit facility balances are swept into the group cash pool at the end of each business day. The pooled cash balance was positive at the balance sheet date and the directors expect the balance to remain positive for the majority of the going concern assessment period, with the credit facility expected to be utilised only on a temporary basis.

The company is dependent on the cash and credit facility pool for daily access to the cash flows required to operate and to support the going concern assertion. As the terms of the company's agreement with DB do not provide explicit rights for immediate access to these funds on request and the credit facility is not formally committed for a specific period of time, this gives rise to a potential liquidity risk that funds may not be available as required to settle liabilities, or that the credit facility could be withdrawn, during the period of 12 months from the date of approval of the financial statements. However, the directors consider this risk to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice. Since inception of the pooling arrangement, the company has never experienced any issue being able to draw upon its cash balances within the group cash pool to settle its liabilities as they fall due.

Forecasts indicate that the planned acquisition of certain tangible fixed assets in 2024 could lead to a breach in the current credit facility held with DB. A breach in this facility would result in the allocation of any unused facilities from other Arriva Group companies to Arriva London South Limited. In the unlikely event that no such facilities were available, an extension to the Arriva group-wide facility would be requested from DB. Management are planning to mitigate this breach by reallocating unused DB credit facilities in place within the group during the normal course of business. This has historically been successful by other group companies and management intend to follow this basis should an adjustment to the credit facility be required. At the reporting date the facility had not been breached.

##### Outcome of directors' going concern assessment

The directors acknowledge that the uncertainty regarding immediate access to funds placed with DB, together with the uncertainty over whether the company will receive its contractually due payments from TfL, due to the lack of certainty on TfL's path to financial sustainability and extent of additional government support (if required) beyond 31 March 2024, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern.

In completing their going concern assessment, the directors have considered the terms of the TfL support package as noted above, in addition to the public comments made by the Secretary of State for Transport outlining the purpose of this support package and the DfT's stated commitment to supporting London's transportation network and services.

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

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**ARRIVA LONDON SOUTH LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**FUTURE DEVELOPMENTS (CONTINUED)**

Outcome of directors' going concern assessment (continued)

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to receive its contractually due payments from TfL and have full and immediate access to its pooled cash or credit facility balances with DB, and therefore remain confident of the company's ability to continue to operate and to discharge its liabilities as they fall due for the foreseeable future.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not contain the adjustments that would arise if the company were unable to continue as a going concern.

Future capital investment

Investment is being made in engineering to ensure the company is well equipped to deal with the increasing number of electric buses that will need to come into the fleet. The company will carry on working with Transport for London to ensure performance continues to improve, environmental considerations are met and the company are the 'Operator of choice' in the London bus market.

This report was approved by the board on 18 May 2023 and signed by order of the board.



**J M Perkin**  
Director



**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors present their report and the audited financial statements for the year ended 31 December 2021.

**RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £3,269,000 (2020: profit of £13,047,000).

The company did not pay a dividend during the year (2020: £8,000,000).

**DIRECTORS**

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

A Jones  
D Hunter (resigned 31 December 2021)  
R Scowen (resigned 31 March 2021)  
G C Davies (appointed 1 February 2022)  
J M Perkin (appointed 6 January 2022)  
P J Batty (resigned 31 December 2021)  
S W Bond (resigned 7 July 2022)  
S Rawal (appointed 12 July 2022)

**EMPLOYEE ENGAGEMENT**

The company recognises that its employees are key to its success, and it 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 diverse workforce with the skills, abilities and attitudes 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.

**Employee feedback and communication**

The Arriva group conducts both group wide and local employee surveys, the most recent survey taking place in September 2022. Subsequent surveys will take place on a quarterly basis. The surveys are used to highlight areas of engagement and areas for improvement and action. The Arriva Management Board (AMB) oversees initiatives to improve any areas of improvement highlighted by the surveys, as well as maintaining those areas highlighted as working well. The results of the employee surveys are communicated via the Arriva group's intranet and across the UK Bus division via social media channels and applications as well as notice boards. In addition, meetings are held by line managers with representatives of their teams in order to address areas of concern and seek employee input to find solutions.

There are a number of communication platforms that the Arriva group uses to inform and engage its employees. Briefings are cascaded via line managers, bulletins are posted via email and notice boards, as well as the Arriva group's Yammer feed and the intranet. In the UK Bus division communications are also made via social media channels, notice boards and elected employee representatives.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**EMPLOYEE ENGAGEMENT (CONTINUED)**

**Employee health and wellbeing**

The company prides itself on being a people focused organisation that supports the well-being of its employees. The UK Bus division has established an Equality, Diversity and Inclusion council with a supporting governance structure. The council has launched a number of project streams to support equality in the workplace, increase colleague diversity and promote a more inclusive culture. Examples of the projects, include, conducting a diversity data collection survey to further understanding the diversity of our colleagues, thereby helping ensure that the UK Bus division welcomes and accommodates everyone. Other projects include marking events and celebrations, driver development and career pathways, flexible working, recruitment and selection improvements and training and education. These initiatives all support the overall aim to attract and retain colleagues and be an inclusive employer.

The Arriva group 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. GAIN was originally launched in 2019 as a place for employees to celebrate and share their experience of working at the company. Open and honest feedback is vital to making the Company a place where our employees can be themselves every day – regardless of their race, religion, , disability, gender, sexual orientation, or any other characteristic.

The GAIN scheme relaunched in 2021 and this time each GAIN community was supported by a member of the AMB, who acted as executive sponsors, using their voices to influence change within the business. Five colleagues also lead the GAIN communities and act as a driving force, helping to plan events, collate feedback and coordinate the group's activity.

**Equal opportunities**

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

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

**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, group-wide programmes are in place to develop emerging and future leaders across the Arriva group.

The 'Emerging Leaders' programme is aimed at identifying and developing future leaders whose next step is a senior manager role, and who demonstrate the performance, potential and aspiration required to progress to this. As part of this programme candidates are required to complete an assessment for development which will give them the opportunity to discuss their career goals and experience in more detail and receive valuable feedback on their strengths and development areas against the Arriva Leadership Model. The assessment will result in a development plan, highlighting what steps they can take to help them achieve their career goals. Following the assessment certain candidates progress to the next phase, which includes leadership workshops

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**EMPLOYEE ENGAGEMENT (CONTINUED)**

**Leadership Schemes (continued)**

and projects.

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.

The Arriva Line Manager Programme (ALMP) is a group wide initiative aimed at providing front line people managers with the knowledge and skills to effectively lead their people. Based on the Arriva management competency framework, the programme is a blended curriculum covering areas such as leading others, communicating effectively, developing others and leading in an inclusive and diverse working environment. This collaborative approach invites managers from both the UK Bus division and the UK Train division to forge relationships and networks across the business delivering on the promise of acting as OneArriva.

The Arriva Supervisor Development Programme (ASDP) is aimed at helping first line supervisors to develop their knowledge and skills to become more effective in their role. A more practical programme than ALMP, this learning curriculum focuses more on day-to-day activities such as maintaining a safe working environment, coaching for performance and communicating tasks and company messages.

To support the modular development programmes, eLearning content is provided to reinforce the learning messages within the ALMP and the ASDP. Additionally, the eLearning programmes are used as standalone development tools and provide accessible learning for colleagues across the Arriva group.

In the commitment to support leadership skills at all levels of the business the UK Bus division partnered with higher education institutions to promote senior leader apprenticeship schemes.

**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. In light of the very substantially reduced passenger volumes across UK Bus division, the Arriva group took a series of proactive steps to reduce costs and prioritise cash flow. By their nature, these types of decisions are very difficult but were necessary in order to protect the Arriva group for the long term. Wherever possible the UK Bus division has sought to use the emergency schemes put in place by governments to maintain its people in employment during the crisis, and as activity levels have increased, employees have been brought back to work.

In order to maintain a COVID-19 secure environment, risk assessments were undertaken in all areas of the business and measures were put in place in accordance with the Government guidelines. Measures included enhanced cleaning regimes of fleet vehicles, perspex screens, social distancing, face coverings and hand sanitisers. All initiatives were communicated in guidance documents to customers, colleagues and managers. COVID-19 guidelines were continually monitored, and processes implemented across the UK Bus division with all stakeholders advised of any changes.

Comprehensive guidance was provided to managers to enable them to support all colleagues during the COVID-19 pandemic including those working from home and those who were placed on furlough. The communication offered information on the support that was available, such as the Arriva Employee Assistance Programme. Additionally, all HR members were trained in Mental Health First Aid and a network of Health & Wellbeing Champions were implemented across sites and functions, all of which were trained in Mental Health First Aid.

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## ARRIVA LONDON SOUTH LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### EMPLOYEE ENGAGEMENT (CONTINUED)

##### Supporting employees during the COVID-19 pandemic (continued)

A flexible approach was taken to working hours, recognising the changes to colleagues' circumstances as a result of the COVID-19 pandemic. For example, school closures, home schooling and caring responsibilities.

A specific and dynamic management structure was implemented to evaluate the crisis as it evolved and allow for swift and measured actions to be taken. The level of communication across the business was increased and the UK Bus division worked closely with the Trade Unions to respond in a timely manner to questions raised by colleagues. This also ensured that there was a consistent approach across the whole of UK Bus.

As we emerge from the pandemic, we continue to take a consistent approach across the whole of UK Bus, aligned to updated government guidance and agreed with the Trade Union. Whilst working conditions have broadly returned to normal, the support mechanisms such as Mental Health First Aid and Employee Assistance Programme remain in place. We continue to communicate to all relevant colleagues where updates to guidance take place.

#### ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

The company's board of directors (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:

- Deutsche Bahn AG;
- Arriva UK Bus Investments Limited;
- Suppliers;
- Passengers;
- The Department for Transport;
- Local Transport Authorities (including Transport for London in respect of contracted services); and
- Local communities in which the company is based.

The company is part of the Arriva plc group, and its ultimate parent company is Deutsche Bahn AG.

The implementation of strategies and policies of the company relating to its relationships with key stakeholders are managed locally by the board of the company, and oversight is provided by the Arriva UK Bus Executive Leadership Team.

During the financial year the Board have considered information from across the Arriva UK Bus division, received presentations from management, reviewed papers and reports and led discussions which considered, where relevant, the impact of the company's activities on its key stakeholders. These activities, together with direct engagement with the company's stakeholders, helped to inform the Board in its decision-making processes.

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.

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS (CONTINUED)**

The company engages extensively with national and local passenger groups, and collects feedback from customers through a variety of methods include:

- Participation in the National Bus Passenger Survey, a yearly survey of passenger views across bus operators lead by Transport Focus;
- Arriva UK Bus divisions carries out passenger satisfaction surveys and uses the results from them to address issues and develop services and products to meet changing demand;
- Regular engagement with passenger groups, including Bus Users UK and Transport Focus, which helps to ensure that the interests and voices of stakeholders, and their experiences, inform decision making;
- A close working relationship with industry stakeholder groups, including the Confederation of Passenger Transport which promotes collaborative working on shared industry challenges; and
- Arriva UK Bus division also maintains frequent communication with stakeholders in Government, including with the Department for Transport, as well as other relevant departments, authorities and public bodies.

**COVID-19**

The COVID-19 pandemic impacted Arriva UK Bus significantly and has required the company to implement contingency measures specific to the local communities in which it operates. Such measures included altering timetables to ensure adequate provision for key workers; addressing specific employee concerns about the pandemic and working collaboratively with local authorities and other stakeholders to deliver appropriate solutions as the company navigated through this crisis. The Company implemented enhanced cleaning of vehicles and ensured that, where required by government guidelines, social distancing measures were put into place.

During the COVID-19 pandemic the safety and wellbeing of the company's employees and passengers has been a key priority for the company. Operating through a time of heightened risk both to health and to operating practices has required the company to take appropriate measures to ensure that travelling by public transport remained a safe and convenient option for passengers. The UK Bus division worked closely and collaboratively with key industry partners to find solutions which ensured that the service provision by the company remained at the right level, that government policy was brought into effect, and transport operators received funding to enable essential services to be delivered.

Further information on how the directors have fostered relationships with suppliers and the local communities in which the company operates 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 2021 is provided in the Employee Engagement section of this report.

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Deutsche Bahn AG is the principal source of funding for Arriva plc and its subsidiaries. The Arriva group's financial risks, including liquidity risks and those arising from interest rates, commodity prices and currency fluctuations are managed in accordance with the Deutsche Bahn AG treasury policy. For further details relating to financial risk management please refer to the Deutsche Bahn AG 2021 Integrated Report.

The company manages commodity price risk through forward contracts for the purchase of fuel entered into at an Arriva group level. Back to back agreements exist between the company and Arriva Plc, who enter into the underlying forward contracts.

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**ARRIVA LONDON SOUTH LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The company has made qualifying third-party indemnity provisions for the benefit of its directors as part of a group wide insurance policy. The qualifying third-party indemnity provisions (as defined in Section 234 of the Companies Act 2006) were in force during the year ended 31 December 2021 and continue to remain in force at the reporting date.

**STREAMLINED ENERGY AND CARBON REPORTING DISCLOSURE (SECR)**

UK energy consumption and greenhouse gas emissions for Arriva London South Limited (the company) for the period 1 January to 31 December.

<b>Energy usage for the Company in the United Kingdom</b>	<b>Current reporting year 2021</b>	<b>Previous reporting year 2020</b>
Scope 1 – Fuel use from transport and combustion of natural gas/tCO <sub>2</sub> e <sup>1</sup>	38,666	34,969
Scope 2 – Emissions resulting from the purchase of electricity, including heat, steam, or cooling (location based)/tCO <sub>2</sub> e	483	284
Scope 3 <sup>2</sup> – Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel/tCO <sub>2</sub> e	0	0
Total gross emissions/tCO <sub>2</sub> e	39,149	35,253
tCO <sub>2</sub> e per full time equivalent employees <sup>2</sup>	25.3	24.3
Energy consumption used to calculate the above emissions / kWh	156,653,258	141,238,693

<sup>1</sup> tCO<sub>2</sub>e means tonnes (t) of carbon dioxide (CO<sub>2</sub>) equivalent (e)

<sup>2</sup> The full time number equivalent number of employees for the financial year ended 31 December 2021 was 1,548 (2020: 1,449).

**Methodology**

The company is required 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.

As a wholly owned subsidiary of Deutsche Bahn AG, the company is obliged 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 2021.

Source data has been obtained from the following:

- Fuel Usage – Fuel Issues to Bus Report;
- Site Energy – Consumption Reports from Schneider;
- Employee Figures – Workday (internal HR system).

The energy usage data for both the 2020 and 2021 financial years are somewhat comparable with each other, although it does show that there was an increase in energy usage for the 2021 financial year, particularly in Scope 2. This is a result of service levels gradually increasing throughout the year as the COVID-19 lockdown restrictions were eased and staff members returned to office locations.

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## ARRIVA LONDON SOUTH LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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#### STREAMLINED ENERGY AND CARBON REPORTING DISCLOSURE (SECR) (CONTINUED)

##### Environmental policy

The Arriva group has an Environmental, Health and Safety policy, which consists of the group's internal environmental risk assurance standards and 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; and
- Ensuring compliance with local law regulations, and that key environmental risks are mitigated.

The UK Bus division strives for best practice in Health, Safety, Environment and Risk (HSER) and aims to play an important role in the reduction of greenhouse gases to stabilise the increase in global temperatures, reduce the ecological footprint, deliver business efficiencies and protect the environment.

##### Energy efficiency actions

Sustainability has a central role in the Arriva group's strategy. Arriva inspires and promotes greener, more connected transport for all, and is working towards becoming a climate neutral business it can be proud of. The Zero Emission (ZE) Institute has been launched in the beginning of 2022, which supports and enables the transition to a zero emissions fleet.

The establishment of the ZE Institute is a key initiative for the Arriva group as a whole as the businesses collectively work together to create a stronger, more competitive Arriva, and demonstrate its commitment to sustainability throughout its operations. It will enable the group to share knowledge and best practice from existing operations, technical expertise, market intelligence, supplier relationships and understanding of new technologies to help inform and provide innovative sustainable mobility solutions.

In collaboration with the Arriva group, the company is committed to reducing their carbon footprint. Examples of the carbon reducing initiatives include:

The UK Bus division continues to work closely with Transport for London (TfL) to progress its bus fleet to achieve TfL's objectives to meet the London Mayor's carbon target by 2030;

The UK Bus division saw its first all-electric fleet garage go live in 2021 and will continue to convert further sites in line with tender submissions and renewals.

The UK Bus division is currently working in conjunction with Local Authorities to implement electric fleets in Leicester and Wakefield. It is the intention that these will go live in 2023 and 2024 respectively, with a further six locations under review;

The Brixton Tramshed project went live in 2021 and it is hoped that this can now be delivered to other depots in London;

Hydrogen fuelled buses have been trialled during 2022 in Liverpool and in Teesside to gain a more comprehensive understanding of this relatively new technology.

##### POST BALANCE SHEET EVENTS

Details of post balance sheet events are provided in Note 24 to the financial statements.

##### MATTERS COVERED IN THE STRATEGIC REPORT

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

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**ARRIVA LONDON SOUTH LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

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

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

In preparing the financial statements, the directors are required to:

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

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

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

**DIRECTORS' CONFIRMATIONS**

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

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

This report was approved by the board on 18 May 2023 and signed on its behalf.



**J M Perkin**  
Director



# Independent auditors' report to the members of Arriva London South Limited

## Report on the audit of the financial statements

### Qualified opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2021; the Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for qualified opinion

As explained in note 1.9 of the financial statements, the Company's average monthly number of employees disclosed in note 8 is based on the number of persons that operationally provide services to the Company. This is since staff perform work for entities, with which they do not have employment contracts, within the same group as the entity with which they have their employment contract. Therefore, it is not possible to determine what the number of employees is based on contracts. As such, the financial statements do not include the average monthly number of employees based on persons employed under contracts of service by the Company as required in Section 411 (1) and Section 411 (4)(a) of the Companies Act 2006. We are unable to quantify the magnitude of the difference between management's disclosure and the disclosure that would be determined if the Companies Act requirements were followed.

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

### Independence

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

### Material uncertainty related to going concern

Without further modifying our opinion on the financial statements, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. The company is dependent on the Deutsche Bahn AG ("DB") cash pooling and credit facility arrangements for access to the cash necessary for the day-to-day running of the company and to support the going concern assertion. As per the terms of the company's agreements with DB, the company does not have explicit rights for immediate access to these funds on request and the credit facility with DB is not committed for a specific period of time, which gives rise to a potential liquidity risk that funds may not be available as required to settle liabilities during the period of 12 months from the date of approval of the financial statements. The company is also dependent upon its contractually due payments from Transport for London (TfL). The company is reliant on the continued funding from TfL and any reduction in the funding from TfL may result in the company not being able to operate at its current level. Furthermore, as set out in the DB AG 31 December 2021 annual report, DB plans to divest of the Arriva group which could result in a change in ownership of the company within 12 months of the date of approval of these financial statements. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to continue to provide funding to the company. These conditions, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

# Independent auditors' report to the members of Arriva London South Limited (continued)

## Material uncertainty related to going concern (continued)

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

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

## Reporting on other information

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

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

With respect to the 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 2021 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.

# Independent auditors' report to the members of Arriva London South Limited (continued)

## **Auditors' responsibilities for the audit of the financial statements**

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

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

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

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular, any journal entries posted with unusual account combinations;
- Challenging assumptions and judgements made by management in making significant accounting estimates, including measurement of the useful economic lives of tangible assets; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **Use of this report**

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

# Independent auditors' report to the members of Arriva London South Limited (continued)

## Other required reporting

### Companies Act 2006 exception reporting

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

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

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

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

We have no exceptions to report arising from this responsibility.



Craig Willis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
19 May 2023

# ARRIVA LONDON SOUTH LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	As Restated 2020 £000
Turnover	4	126,441	118,958
Cost of sales		(114,518)	(103,950)
<b>Gross profit</b>		<b>11,923</b>	<b>15,008</b>
Administrative expenses		(10,645)	(11,311)
Other operating income	5	2,088	1,720
<b>Operating profit</b>	6	<b>3,366</b>	<b>5,417</b>
Interest receivable and similar income	10	-	5
Interest payable and similar expenses	11	(247)	(276)
<b>Profit before tax</b>		<b>3,119</b>	<b>5,146</b>
Tax on profit	12	(6,388)	7,901
<b>(Loss) / profit for the financial year</b>		<b>(3,269)</b>	<b>13,047</b>
<b>Other comprehensive income / (expense):</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Changes in market value of cash flow hedges	19	3,185	(2,075)
Deferred tax attributable to changes in market value of cash flow hedges	20	(686)	389
<b>Total other comprehensive income / (expense)</b>		<b>2,499</b>	<b>(1,686)</b>
<b>Total comprehensive (expense) / income for the year</b>		<b>(770)</b>	<b>11,361</b>

The notes on pages 21 to 42 form part of these financial statements.

**ARRIVA LONDON SOUTH LIMITED**  
**REGISTERED NUMBER: 02328467**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	14	69,888	67,748
		<u>69,888</u>	<u>67,748</u>
<b>Current assets</b>			
Stocks	15	753	510
Debtors: amounts due after more than one year	16	711	-
Debtors: amounts due within one year	16	17,894	25,851
Cash at bank and in hand		2	1
		<u>19,360</u>	<u>26,362</u>
Creditors: amounts due within one year	17	(12,913)	(24,026)
<b>Net current assets</b>		<u>6,447</u>	<u>2,336</u>
<b>Total assets less current liabilities</b>		<u>76,335</u>	<u>70,084</u>
Creditors: amounts due more than one year	18	(10,667)	(10,248)
		<u>65,668</u>	<u>59,836</u>
Provisions for liabilities	21	(6,602)	-
		<u>(6,602)</u>	<u>-</u>
<b>Net assets</b>		<u><u>59,066</u></u>	<u><u>59,836</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	3,992	3,992
Share premium account		41,491	41,491
Cash flow hedge reserve		1,040	(1,459)
Profit and loss account		12,543	15,812
<b>Total shareholders' funds</b>		<u><u>59,066</u></u>	<u><u>59,836</u></u>

The financial statements on pages 18 to 42 were approved and authorised for issue by the board and were signed on its behalf on 18 May 2023.



**J M Perkin**  
Director

The notes on pages 21 to 42 form part of these financial statements.

**ARRIVA LONDON SOUTH LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended 31 DECEMBER 2021

	Called up share capital £000	Share premium account £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' funds £000
<b>At 1 January 2020</b>	<b>3,992</b>	<b>41,491</b>	<b>227</b>	<b>10,765</b>	<b>56,475</b>
<b>Comprehensive income/(expense) for the year</b>					
Profit for the financial year	-	-	-	13,047	13,047
Changes in market value of cash flow hedges	-	-	(2,075)	-	(2,075)
Deferred tax attributable to changes in market value of cash flow hedges	-	-	389	-	389
<b>Total other comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>(1,686)</b>	<b>-</b>	<b>(1,686)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(1,686)</b>	<b>13,047</b>	<b>11,361</b>
Dividends paid (Note 13)	-	-	-	(8,000)	(8,000)
<b>At 31 December 2020 and 1 January 2021</b>	<b>3,992</b>	<b>41,491</b>	<b>(1,459)</b>	<b>15,812</b>	<b>59,836</b>
<b>Comprehensive income/(expense) for the year</b>					
Loss for the financial year	-	-	-	(3,269)	(3,269)
Changes in market value of cash flow hedges	-	-	3,185	-	3,185
Deferred tax attributable to changes in market value of cash flow hedges	-	-	(686)	-	(686)
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>2,499</b>	<b>-</b>	<b>2,499</b>
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>2,499</b>	<b>(3,269)</b>	<b>(770)</b>
<b>At 31 December 2021</b>	<b>3,992</b>	<b>41,491</b>	<b>1,040</b>	<b>12,543</b>	<b>59,066</b>

The notes on pages 21 to 42 form part of these financial statements.

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## ARRIVA LONDON SOUTH LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 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 cash flow hedge reserve, and in accordance with the Companies Act 2006.

There were no amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the company's financial statements.

##### RESTATEMENT OF STATEMENT OF COMPREHENSIVE INCOME

The comparative amounts for Cost of sales and Administrative expenses for the year ended 31 December 2020 have been voluntarily restated by £2,680,000 to correct the presentation of establishment costs relating to depots. In the previous financial statements these values were included in Administrative expenses, however it had been determined that these were directly related to the sale of the company's services. Cost of sales as previously reported for the year ended 31 December 2020 of £101,270,000 has increased to £103,950,000 and Administrative expenses previously reported for the year ended 31 December 2020 of £13,991,000 has decreased to £11,311,000.

The restatement had no impact on the total comprehensive income reported for the year ended 31 December 2020 and hence no impact on the previously reported Statement of changes in equity for the year ended 31 December 2020 or on the company's previously reported Balance sheet at 31 December 2020.

##### GOING CONCERN

The company is a wholly owned subsidiary of Arriva UK Bus Holdings Limited and part of the Arriva group which Deutsche Bahn AG heads. As a public transport operator, the Arriva group has been significantly impacted by the COVID-19 coronavirus pandemic with a resulting impact on passengers, colleagues, and other business stakeholders. The Arriva group has and continues to work closely with both local and national government bodies and transport authorities on support measures to ensure continuation of critical transportation services as patronage growth recovers beyond the pandemic.

The company, as with other London bus operators, experienced a significant reduction in passenger numbers from March 2020 onwards, following the implementation of the UK Government's measures to mitigate the public health impacts of the COVID-19 pandemic. Passenger numbers continue to remain below pre-pandemic levels but are recovering and the company continues to work with Transport for London ('TfL') on service levels moving forwards.

##### Revenue risk

As the company's income is predominantly receivable from TfL by way of contractual payments for the routes it operates, passenger numbers and journeys remaining below pre-pandemic levels does not directly impact the payments receivable under its contracts. However, receipt of contractually due payments under these agreements is ultimately dependent on the financial position of TfL and the company is dependent upon these payments being made.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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1. ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

GOING CONCERN (CONTINUED)

Revenue risk (continued)

A long-term TfL funding settlement has been agreed between TfL and the Department for Transport ('DfT') and was announced on 30 August 2022. This long-term funding settlement follows four previous emergency and temporary funding packages put into place since March 2020, and will remain in effect until 31 March 2024, or until TfL and the DfT agree that TfL has reached financial sustainability if sooner. Under the terms of the funding settlement, TfL will be protected from passenger revenue risk, with the DfT providing financial support to fund shortfalls between TfL's costs and revenue up to an agreed annual envelope of operational and capital expenditure. The agreement reflects the DfT's recognition that London's transport network is reliant on fare revenue and their commitment to supporting that network by mitigating the loss of fare revenue as a result of the pandemic.

The timing of completion of TfL's path to financial sustainability and whether TfL would require additional support beyond 31 March 2024 remains unclear. However, the Secretary of State for Transport publicly stated in the 30 August 2022 funding announcement that the DfT recognises that TfL has long-term financial commitments beyond the funding period. The Secretary of State for Transport also noted that TfL is not expected to fund major capital enhancements or renewals from its operating incomes and that further capital funding support from the DfT beyond 31 March 2024 may be required should TfL not be able to fund such spending from its own resources.

Liquidity risk

The company voluntarily participates in a group cash and credit facility pooling arrangement operated 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. Under the arrangement substantially all the company's cash and utilised credit facility balances are swept into the group cash pool at the end of each business day. The pooled cash balance was positive at the balance sheet date and the directors expect the balance to remain positive for the majority of the going concern assessment period, with the credit facility expected to be utilised only on a temporary basis.

The company is dependent on the cash and credit facility pool for daily access to the cash flows required to operate and to support the going concern assertion. As the terms of the company's agreement with DB do not provide explicit rights for immediate access to these funds on request and the credit facility is not formally committed for a specific period of time, this gives rise to a potential liquidity risk that funds may not be available as required to settle liabilities, or that the credit facility could be withdrawn, during the period of 12 months from the date of approval of the financial statements. However, the directors consider this risk to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice. Since inception of the pooling arrangement, the company has never experienced any issue being able to draw upon its cash balances within the group cash pool to settle its liabilities as they fall due.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**1. ACCOUNTING POLICIES (CONTINUED)**

**GOING CONCERN (CONTINUED)**

Liquidity risk (continued)

Forecasts indicate that the planned acquisition of certain tangible fixed assets in 2024 could lead to a breach in the current credit facility held with DB. A breach in this facility would result in the allocation of any unused facilities from other Arriva Group companies to Arriva London South Limited. In the unlikely event that no such facilities were available, an extension to the Arriva group-wide facility would be requested from DB. Management are planning to mitigate this breach by reallocating unused DB credit facilities in place within the group during the normal course of business. This has historically been successful by other group companies and management intend to follow this basis should an adjustment to the credit facility be required. At the reporting date the facility had not been breached.

Outcome of directors' going concern assessment

The directors acknowledge that the uncertainty regarding immediate access to funds placed with DB, together with the uncertainty over whether the company will receive its contractually due payments from TfL, due to the lack of certainty on TfL's path to financial sustainability and extent of additional government support (if required) beyond 31 March 2024, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern.

In completing their going concern assessment, the directors have considered the terms of the TfL support package as noted above, in addition to the public comments made by the Secretary of State for Transport outlining the purpose of this support package and the DfT's stated commitment to supporting London's transportation network and services.

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to receive its contractually due payments from TfL and have full and immediate access to its pooled cash or credit facility balances with DB, and therefore remain confident of the company's ability to continue to operate and to discharge its liabilities as they fall due for the foreseeable future.

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

These conditions indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not contain the adjustments that would arise if the company were unable to continue as a going concern.

**1.2 TURNOVER**

Turnover consists of the gross revenue for road passenger transport, receivable from the TfL, together with the aggregate amounts receivable for services supplied in the ordinary course of the business, excluding value added tax. Income is accrued where it is earned in an earlier period to that in which it is billed or received in cash.

Income is deferred where it is received in an earlier period than that to which it relates.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. ACCOUNTING POLICIES (CONTINUED)****1.3 STOCKS**

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

**1.4 TANGIBLE ASSETS AND DEPRECIATION**

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

Tangible assets include right-of-use assets under lease arrangements. Note 1.5 outlines the accounting policies for such assets.

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

Depreciation is provided on the following basis:

Property	- Straight line over a period of up to 50 years
Plant, machinery, fixtures and motor vehicles	- 10% to 48% straight line
Public service vehicles	- straight line over periods up to 11 years 9 months
Right-of-use assets	- straight line over the period of the lease

Refer to note 15 for details of underlying assets recognised as right of use assets.

Freehold land is not depreciated.

**1.5 LEASES****Lessee accounting**

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'.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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1. ACCOUNTING POLICIES (CONTINUED)

1.5 LEASES (continued)

Lessee accounting (continued)

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.

Lessor accounting for sub-leases

Where the company is an intermediate lessor to fellow group undertakings, the head lease and sub lease are accounted for separately. The treatment on the sub-lease is determined with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

For sub-leases determined to be finance leases, the company does not recognise a right-of-use asset (to the extent that it is subject to the sub-lease) and instead recognises a lease receivable, which is reflected in amounts owed by group undertakings.

For sub-leases determined to be operating leases, the right-of use asset relating to the head lease is not derecognised, with amounts receivable under the sub-lease recognised within other operating income.

1.6 DEBTORS

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

The simplified approach is used to measure expected lifetime credit loss allowances under IFRS 9 for trade and other debtors on a collective basis for any assets that are not considered to be individually impaired.

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

Contract assets, which relate to the mobilisation costs of new bus routes, are included at cost less accumulated amortisation. The costs are capitalised when incurred and amortised when the bus route is fully operational. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset.

Contract assets also relate to income earned in an earlier period, which has not yet been billed at the reporting date (see note 1.2). All contract assets are also subject to the simplified approach used to measure expected lifetime credit loss allowances under IFRS 9.

Contract assets relating to income earned are expected to be settled within 12 months of the reporting date.

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## ARRIVA LONDON SOUTH LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.7 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 group undertakings.

##### 1.8 CREDITORS

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

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

##### 1.9 EMPLOYEE BENEFITS

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

###### Pensions

During the year the UK intermediate parent company, Arriva plc, operated a contract based pension scheme, which covered employees of the company. The assets of the scheme are held separately from those of the company in independently administered funds. Contributions payable under the contract based scheme are charged to the statement of comprehensive income as they arise.

Arriva London South Limited also operates a defined benefit pension scheme. The assets of the defined benefit scheme are held separately from those of the company in independently administered funds. As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions payable by the company are charged to the statement of comprehensive income in the period in which they fall due.

##### 1.10 GOVERNMENT GRANTS

Government grants related to income comprise government grants which are not related to assets. They are presented in the balance sheet as deferred income and released as other operating income in the statement of comprehensive income in the periods necessary to match them with the related costs which they are intended to compensate.

Government grants are recognised in other operating income only when there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received or will not need to be repaid.

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## ARRIVA LONDON SOUTH LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.11 DIVIDENDS

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

##### 1.12 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The company is a qualifying entity for the purpose of FRS 101 and Note 25 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

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

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

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## ARRIVA LONDON SOUTH LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.13 CURRENT AND DEFERRED TAXATION

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary timing differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Deferred tax assets and liabilities are not discounted.

##### 1.14 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised as a financial asset or a financial liability in the balance sheet at the trade date. Derivative financial instruments are initially and subsequently measured at fair value. At the point at which the contract is taken out, derivative financial instruments are classified as a hedging instrument for hedging cash flows arising from a contractual obligation or an expected transaction. Cash flow hedges are used to provide protection against fluctuations in the cash flows of financial assets or liabilities or anticipated transactions. When future cash flows are hedged, the hedging instruments are recognised with their fair value. Changes in value are initially recognised in other comprehensive income and are only recognised in the income statement at the point at which the corresponding losses or profits from the underlying hedged item have an impact on the statement of comprehensive income or the transaction expires.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.14 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

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

**1.15 SHARES AND SHARE PREMIUM**

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

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

**1.16 PROVISIONS**

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

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

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

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

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



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)****Critical assumptions and key sources of estimation uncertainty**

The following area is a critical assumption concerning the future and a key source of estimation uncertainty in the reporting period. This area may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**Impairment and useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Where there is an indicator of impairment, management is required to perform an impairment review over tangible fixed assets. The loss recognised by the Company in the year ended 31 December 2021 is considered by management to be an indicator of impairment. For the purpose of impairment testing, the Company is considered a single CGU. The recoverable amount of the tangible fixed assets has been determined as the higher of fair value less costs of disposal and value-in-use. The value-in-use calculated for the CGU is significantly in excess of the carrying value of tangible fixed assets. Accordingly, no impairment to tangible fixed assets has been recognised in the year. The value-in-use for the CGU has been calculated through a discounted cash flow, using a discount rate of 6.00% and a long term growth rate of 1.9%.

The impact of climate change has been assessed and incorporated, where relevant, into the underlying cash flows used as the basis for the value in use calculation.

See Note 14 for the carrying amount of the tangible assets and Note 1.4 for the useful economic lives for each class of assets.

**Critical judgements in applying accounting policies**

The following is a critical judgement that has 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.

**Accounting for contributions to multi-employer defined benefit pension schemes**

Certain of the company's employees are members of group multi-employer defined benefit pension schemes and the company pays contributions to those schemes in respect of those employees. As the company is unable to identify its share of the assets and liabilities of the group defined benefit schemes, it accounts for contributions payable as if they were to a defined contribution pension scheme, with the amounts payable charged to the statement of comprehensive income, as outlined in Note 1.9.

**3. GENERAL INFORMATION**

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

The registered company number is 02328467 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

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**ARRIVA LONDON SOUTH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**4. TURNOVER**

The whole of the turnover is attributable to the company's principal activity.

All turnover arose within the United Kingdom.

**5. OTHER OPERATING INCOME**

	2021 £000	2020 £000
Other income	1,566	190
Government grants receivable	522	1,530
	<u>2,088</u>	<u>1,720</u>

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets (Note 14)	12,317	10,588
Staff costs (Note 8)	73,872	70,616
Amortisation of mobilisation costs	92	92
Management fees	6,945	8,750
Cost of stocks recognised as an expense	14,479	10,965
Expenses related to short term leases	89	-
	<u>108,794</u>	<u>101,011</u>

**7. AUDITORS' REMUNERATION**

	2021 £000	2020 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	94	60

# ARRIVA LONDON SOUTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 8. STAFF COSTS

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

	2021 £000	2020 £000
Wages and salaries	64,405	61,216
Social security costs	6,545	6,190
Other pension costs (Note 23)	2,922	3,210
	<u>73,872</u>	<u>70,616</u>

The total staff costs above represent amounts disbursed by Arriva London North Limited on behalf of Arriva London South Limited. Arriva London South Limited then reimburses Arriva London North Limited for those disbursements. The average monthly number of employees represents the number of individuals who are covered by this arrangement.

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

	2021 No.	2020 No.
Drivers	1,390	1,347
Engineering	87	82
Administrative	71	20
	<u>1,548</u>	<u>1,449</u>

### 9. DIRECTORS' EMOLUMENTS

	2021 £000	2020 £000
Recharges for director's qualifying services to the company	196	273
	<u>196</u>	<u>273</u>

The directors did not receive any emoluments from the company in the financial year for their directorship (2020: £nil) of the company. The directors received remuneration in respect of all their directorships from Arriva plc. These amounts have been recharged to the company and disclosed above.

# ARRIVA LONDON SOUTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £000	2020 £000
Interest receivable from group undertakings	-	5
	<u>-</u>	<u>5</u>

### 11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £000	2020 £000
Interest payable to group undertakings	60	147
Interest on lease liabilities	187	129
	<u>247</u>	<u>276</u>

### 12. TAX ON PROFIT

	2021 £000	2020 £000
<b>Corporation tax</b>		
Current tax on profits for the year	156	356
Adjustments in respect of prior years	118	(715)
<b>TOTAL CURRENT TAX CHARGE / (CREDIT)</b>	<u>274</u>	<u>(359)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	6,137	(96)
Adjustments in respect of prior years	(23)	(7,446)
<b>TOTAL DEFERRED TAX CHARGE / (CREDIT) (NOTE 20)</b>	<u>6,114</u>	<u>(7,542)</u>
<b>Tax on profit</b>	<u>6,388</u>	<u>(7,901)</u>

# ARRIVA LONDON SOUTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 12. TAX ON PROFIT (CONTINUED)

#### FACTORS AFFECTING TAX CHARGE / (CREDIT) FOR THE YEAR

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit before tax	3,119	5,146
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	593	978
Effects of:		
Depreciation in respect of ineligible assets	91	30
Adjustments to tax charge in respect of prior years	95	(8,161)
Re-assessment of value of deferred tax asset	5,609	-
Impact of rate change on deferred tax	-	(748)
Total tax charge / (credit) for the year	6,388	(7,901)

#### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

### 13. DIVIDENDS

	2021 £000	2020 £000
Dividends paid on ordinary shares	-	8,000
	-	8,000

ARRIVA LONDON SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

14. TANGIBLE ASSETS

	Property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2021	21,759	5,254	79,220	106,233
Additions	1,011	1,226	13,963	16,200
Disposals	(85)	(217)	(5,431)	(5,733)
At 31 December 2021	22,685	6,263	87,752	116,700
<b>Accumulated depreciation</b>				
At 1 January 2021	2,189	2,942	33,354	38,485
Charge for the year	832	529	10,956	12,317
Disposals	(85)	(203)	(3,702)	(3,990)
At 31 December 2021	2,936	3,268	40,608	46,812
<b>Net book value</b>				
At 31 December 2021	19,749	2,995	47,144	69,888
At 31 December 2020	19,570	2,312	45,866	67,748

# ARRIVA LONDON SOUTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 14. TANGIBLE ASSETS (CONTINUED)

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

	Leasehold Property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
<b>Right-of-use assets</b>				
<b>Cost</b>				
At 1 January 2021	3,311	99	9,412	12,822
Additions	122	985	3,353	4,460
Disposals	(85)	(99)	(385)	(569)
At 31 December 2021	3,348	985	12,380	16,713
<b>Accumulated depreciation</b>				
At 1 January 2021	640	77	1,787	2,504
Charge for the year	385	55	1,743	2,183
Disposals	(85)	(99)	(385)	(569)
At 31 December 2021	940	33	3,145	4,118
<b>Net book value</b>				
At 31 December 2021	2,408	952	9,235	12,595
At 31 December 2020	2,671	22	7,625	10,318

### 15. STOCKS

	2021 £000	2020 £000
Raw materials and consumables	753	510
	<b>753</b>	<b>510</b>

Inventories are stated after provisions for impairment of £42,000 (2020: £34,000).

# ARRIVA LONDON SOUTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. DEBTORS

	2021 £000	2020 £000
<b>Amounts due after more than one year</b>		
Derivative financial instruments (Note 19)	711	-
	<u>711</u>	<u>-</u>
<b>Amounts due within one year</b>		
Amounts owed by group undertakings	7,978	9,917
Mobilisation costs	22	114
Other debtors	194	172
Prepayments and accrued income	9,030	8,848
Deferred taxation (Note 20)	-	6,800
Derivative financial instruments (Note 19)	670	-
	<u>17,894</u>	<u>25,851</u>

Amounts owed by group undertakings reflect the balances placed in a group wide cash pooling agreement with the ultimate parent company. The amounts placed are unsecured, interest free and repayable on demand. Prior to April 2020, interest was receivable at a rate of 0.5% on the amounts placed.

Included within prepayments and accrued income is £8,449,000 (2020: £8,045,000) relating to contract assets under IFRS 15.

### 17. CREDITORS: Amounts due within one year

	2021 £000	2020 £000
Lease liabilities	1,903	1,986
Amounts owed to group undertakings	7,656	13,487
Corporation tax	43	345
Accruals and deferred income	3,311	7,182
Derivative financial instruments (Note 19)	-	1,026
	<u>12,913</u>	<u>24,026</u>



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**ARRIVA LONDON SOUTH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**17. CREDITORS: Amounts due within one year (CONTINUED)**

Amounts owed to group undertakings includes £1,150,000 (2020: £4,600,000) of borrowings under a loan provided by the ultimate parent company. These borrowings are unsecured, incur interest at 1.86% and the final installment is due for repayment on 1 February 2022.

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

Included within accruals and deferred income is £1,410,000 (2020: £1,392,000) relating to contract liabilities with TfL. All of the deferred revenues at 1 January 2021 were recognised in revenue in the year to 31 December 2021.

The portion of the lease liability due within one year related to sub-leases from related parties amounted to £1,367,000 (2020: £1,831,000).

**18. CREDITORS: Amounts due more than one year**

	2021 £000	2020 £000
Lease liabilities	10,667	8,321
Amounts owed to group undertakings	-	1,150
Derivative financial instruments (Note 19)	-	777
	<u>10,667</u>	<u>10,248</u>

Lease liabilities above include £3,915,000 (2020: £3,163,000) due after more than 5 years. The portion of the lease liability due more than one year related to sub-leases from related parties amounted to £6,276,000 (2020: £7,643,000).

The total cash outflow for leases was £2,262,000 (2020: £1,528,000).

Amounts owed to group undertakings includes £Nil (2020: £1,150,000) of borrowings under a loan provided by the ultimate parent company. These borrowings are unsecured, incur interest at 1.86% and the final installment was paid on 1 February 2022.

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**ARRIVA LONDON SOUTH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**19. DERIVATIVE FINANCIAL INSTRUMENTS**

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

The payments from energy derivatives are recognised in the statement of comprehensive income in the periods in which they fall due. The change in market value of energy derivatives in the year has been recognised in other comprehensive income.

The effectiveness of the hedge is assessed prospectively using linear regression. The retrospective effectiveness measurement is carried out as of every balance sheet date by means of linear regression. The ineffectiveness is also calculated using the dollar-offset method. Under this method, the changes in the market values of the underlying are compared with the changes in the market value of the hedging instrument. The resultant quotient determines the inefficiency.

The inefficiencies of cash flow hedges of the energy price derivatives recognised in the statement of comprehensive income are £Nil (2020: £Nil).

The amounts recognised within the financial statements are as follows:

	2021 £000	2020 £000
Debtors: Amounts due within one year (Note 16)	670	-
Debtors: Amounts due after more than one year (Note 16)	711	-
Creditors: Amounts due within one year (Note 17)	-	(1,026)
Creditors: Amounts due more than one year (Note 18)	-	(777)
	<u>1,381</u>	<u>(1,803)</u>

**20. DEFERRED TAX ASSET**

	2021 £000	2020 £000
At 1 January	6,800	(1,131)
(Charged) / credited to profit or loss (Note 12)	(6,114)	7,542
(Charged) / credited to other comprehensive income	(686)	389
At 31 December	<u>-</u>	<u>6,800</u>

## ARRIVA LONDON SOUTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 20. DEFERRED TAX ASSET (CONTINUED)

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Differences between capital allowances and fixed asset depreciation	4,874	2,003
Short term timing differences	2,956	4,454
Deferred tax assets not recognised	(7,487)	-
Derivative financial instruments	(343)	343
	<u>-</u>	<u>6,800</u>

At 31 December 2021 the company had an unrecognised deferred tax asset of approximately £7,487,000 (2020: £Nil) comprising deductible temporary differences in relation to fixed assets and other short term temporary differences. It is not considered appropriate to recognise the asset at the year end due to the uncertainty around the availability of future profits.

#### 21. PROVISIONS

	Dilapidations £000	Legal £000	Insurance £000	Total £000
At 1 January 2021	-	-	-	-
Additions	174	35	5,649	5,858
Releases	-	-	(1,210)	(1,210)
Transfer from accruals and deferred income	185	-	3,600	3,785
Usage	-	-	(1,831)	(1,831)
<b>At 31 December 2021</b>	<u><b>359</b></u>	<u><b>35</b></u>	<u><b>6,208</b></u>	<u><b>6,602</b></u>

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

The legal provision previously recognised represented the directors' best estimate of future costs to settle a potential legal claim against the company.

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

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**ARRIVA LONDON SOUTH LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**22. CALLED UP SHARE CAPITAL**

	2021 £000	2020 £000
<b>Authorised</b>		
15,000,000 Ordinary shares of £1.00 each	<u>15,000</u>	<u>15,000</u>
<b>Allotted, called up and fully paid</b>		
3,992,001 Ordinary shares of £1.00 each	<u>3,992</u>	<u>3,992</u>

**23. PENSION COMMITMENTS**

At 31 December 2021 the UK intermediate parent company, Arriva plc, operated a contract based pension scheme providing benefits to certain employees within Arriva London South Limited and Arriva London North Limited operated a defined benefit pension scheme, to which the company contributed. The schemes are financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

The schemes are the Arriva Passenger Services Pension Plan (APSPP) and the Arriva Passenger Services National Pension Scheme (APSNPS) and are financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

**APSPP and APSNPS**

Contributions to the defined benefit scheme, the APSPP, are based upon actuarial advice following the most recent actuarial valuation of the funds. The latest actuarial valuations were performed as at 5 April 2020, using the Projected Unit Method.

Contributions to the APSNPS are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 6 April 2019, using the Projected Unit Method.

The pension cost for the year represents contributions payable by the company to both schemes and amounts to £2,922,000 (2020: £3,210,000).

**IAS 19 'Employee benefits' (revised 2011)**

The company makes contributions to a defined benefit scheme, the Arriva London North and Arriva London South Pension scheme. Other companies within the Arriva group make contributions to the scheme, therefore it is not possible for the company to identify its share of the underlying assets and liabilities as at 31 December 2021. As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions payable by the company are charged to the statement of comprehensive income in the year in which they fall due.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**24. POST BALANCE SHEET EVENTS**

There are no significant post balance sheet events, however, Arriva will closely monitor developments in both Russia and Ukraine. This is a non-adjusting post balance sheet event, as we do not expect there to be any material impact due to the company not having operations in either of the above countries.

Although the group operates across Europe, we do not see any other material business risks at this stage, but management are continuously monitoring the impact on fuel prices and how this may impact the wider group.

**25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent company is Arriva UK Bus Holdings Limited.

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

Deutsche Bahn AG is the largest and smallest group to consolidate the financial statements of the company.

Transactions with other companies in the Deutsche Bahn AG Group are not specifically disclosed as the company has taken advantage of the exemption available wholly-owned subsidiaries.