Registered number: 3166214

ARRIVA UK TRAINS LIMITED

Annual report and financial statements

For the Year Ended 31 December 2015

Company Information

Directors	P C Davison R B Cobbe A Furlong R C V Harrison R H Baldwin C D D Burchell
Company secretary	L Edwards
Registered number	3166214
Registered office	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

Contents

Strategic report
For the Year Ended 31 December 2015

The directors present their Strategic report for the year ended 31 December 2015.

PRINCIPAL ACTIVITY
The principal activity of the company during the year is that of an investment company.

REVIEW OF BUSINESS
During the year, the company's statement of comprehensive income on page 7 shows a profit on ordinary activities before taxation of £2.2m (2014 : £3.0m). The decrease in the profit on ordinary activities before taxation from 2014 to 2015 is mostly due to additional costs in relation to bidding activity but this was partially offset by a £3.0m increase in dividends received from group undertakings.

As at the balance sheet date the company had net assets of £122.2m (2014 : £116.4m).

In December 2015 the Department for Transport (DfT) announced Arriva Rail North Limited as the successful bidder for the Northern franchise. The new franchise commencement date was the 1 April 2016 and will operate until the 31 March 2025. During the year, the company increased its shareholding in Arriva Rail North Limited with the purchase of 1 additional ordinary share of £1 for a consideration of £9,999,999. Arriva Rail North Limited is a wholly owned subsidiary of Arriva UK Trains Limited.

The company is the holding company and franchisee for a passenger train franchise under a franchise agreement signed with the Strategic Rail Authority (SRA) on 18 October 2003 for the 'All Wales' Franchise, operated by Arriva Trains Wales/Trenau Arriva Cymru Limited. The franchise commencement date was 7 December 2003 and the franchise will operate until 14 October 2018. In October 2005, the rights and liabilities of the SRA in relation to the ATW franchise transferred to the Welsh Assembly Government (WAG) and the Secretary of State for Transport (SoS). As part of this process the WAG became responsible for the day to day management of the franchise. Under the franchise agreement the company has a direct obligation to ensure that Arriva Trains Wales/Trenau Arriva Cymru Limited complies with the terms of the franchise agreement.

The company is also the holding company and franchisee for a passenger train franchise under a franchise agreement signed with the SoS on 9 July 2007 for the New Cross Country Franchise, operated by XC Trains Limited. The franchise commencement date was 11 November 2007 and the franchise will operate until October 2016.

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

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 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.

FUTURE DEVELOPMENTS
In March 2016, Transport for London (TfL) announced Arriva Rail London Limited as the preferred bidder for the London Overground contract which will commence on the 13 November 2016 and operate for seven and a half years, with an option for a two year extension.

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS

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

This report was approved by the board on 12 April 2016 and signed by order of the board.

L Edwards
Company secretary

Directors' report
For the Year Ended 31 December 2015

The directors present their report and the audited financial statements for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The profit for the financial year, after taxation, amounted to £5,796,000 *(2014 : £5,195,000)*.

The underlying results of the company can fluctuate significantly from year to year due to the nature and level of bid and franchise activity, and the level of income from fixed asset investments.

The company did not pay a dividend during the year (2014 : £10,000,000).

DIRECTORS

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

P C Davison (appointed 23 June 2015)
D C J Applegarth (resigned 30 April 2015)
R B Cobbe
A Furlong
K M Carlaw (resigned 31 March 2016)
R C V Harrison
R H Baldwin
C D D Burchell

FRS 101

For the year ended 31 December 2015, the financial statements of Arriva UK Trains Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101), the effective date of transition being 1 January 2014.

For the year ending 31 December 2015, the company have, for the first time, adopted FRS 101. The effect of this transition, on both the financial position and financial performance of the company, had no material financial impact on the financial statements, which is detailed in Note 19 within the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of financial risk management objectives and policies are shown in the annual report of the UK Intermediate parent company, Arriva Plc, which does not form part of this report.

MATTERS COVERED IN THE STRATEGIC REPORT

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

Directors' report
For the Year Ended 31 December 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of the disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

This report was approved by the board on 12 April 2016 and signed on its behalf.

L Edwards
Company secretary

Independent auditors' report to the members of Arriva UK Trains Limited

Report on the financial statements

Our opinion

In our opinion Arriva UK Trains Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the 'Annual Report'), comprise:

- the Balance Sheet as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended; and
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Opinions on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Independent auditors' report to the members of Arriva UK Trains Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, as set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

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

Bill MacLeod

Bill MacLeod (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Orchard Street
Newcastle upon Tyne

12 April 2016

Statement of comprehensive income
For the Year Ended 31 December 2015

	Note	2015 £000	2014 £000
Administrative expenses		(25,905)	(21,586)
Other operating income		10,689	11,337
Operating loss		(15,216)	(10,249)
Income from shares in group companies		18,115	15,000
Amounts written off investments		-	(1,394)
Interest receivable and similar income	6	-	256
Interest payable and similar charges	7	(658)	(616)
Profit on ordinary activities before taxation		2,241	2,997
Tax on profit on ordinary activities	8	3,555	2,198
Profit for the financial year		5,796	5,195
Total comprehensive income for the financial year		5,796	5,195

There were no recognised gains and losses for 2015 and 2014 other than those included in the statement of comprehensive income.

All amounts relate to continuing operations.

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

Balance sheet
As at 31 December 2015

	Note		2015 £000		2014 £000
Fixed assets					
Tangible assets	10		-		-
Investments	11		**164,229**		*154,229*
			164,229		*154,229*
Current assets					
Debtors	12	**9,440**		*8,974*	
		9,440		*8,974*	
Creditors: Amounts falling due within one year	13	**(26,846)**		*(22,210)*	
Net current liabilities			**(17,406)**		*(13,236)*
Total assets less current liabilities			**146,823**		*140,993*
Creditors: Amounts falling due after more than one year	14		**(24,631)**		*(24,597)*
Net assets			**122,192**		*116,396*
Capital and reserves					
Called up share capital	16		**22,500**		*22,500*
Share premium account			**93,000**		*93,000*
Profit and loss account			**6,692**		*896*
Total shareholders' funds			**122,192**		*116,396*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 April 2016.

A Furlong
Director

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

Statement of changes in equity
For the Year Ended 31 December 2015

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2015	22,500	93,000	896	116,396
Comprehensive income for the year				
Profit for the financial year	-	-	5,796	5,796
Total comprehensive income for the year	-	-	5,796	5,796
At 31 December 2015	22,500	93,000	6,692	122,192

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

Statement of changes in equity
For the Year Ended 31 December 2014

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2014 - as previously reported	22,500	-	5,701	28,201
Comprehensive income for the year				
Profit for the financial year	-	-	5,195	5,195
Total comprehensive income for the year	-	-	5,195	5,195
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(10,000)	(10,000)
Shares issued during the year	-	93,000	-	93,000
Total contributions by and distributions to owners	-	93,000	(10,000)	83,000
At 31 December 2014 - as restated	22,500	93,000	896	116,396

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

Notes to the financial statements
For the Year Ended 31 December 2015

1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

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

1.2 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 and in accordance with the Companies Act 2006.

Information on the impact of first-time adoption of FRS 101 is given in note 19.

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

1.3 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives.

Depreciation is provided on the following bases:

Computer equipment	-	3 years straight line

1.4 INVESTMENTS

Investments are included at cost less amounts provided for impairment. Investments are reviewed annually for potential impairment. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

1. ACCOUNTING POLICIES (continued)

1.5 DEBTORS

Trade and other debtors are initially measured at fair value. In general, this is equivalent to the costs of purchase. Receivables for which there are substantial objective indications of an impairment are adjusted appropriately.

Trade and other debtors are considered to be impaired when there is objective evidence that the estimated future cash flows associated with the asset have been affected. In addition, certain trade and other debtors that are not considered to be individually impaired, may be assessed for impairment on a collective basis. Objective evidence for impairment could be observable changes in national or local economic conditions / government polices on transport.

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

1.6 CREDITORS

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

1.7 DIVIDENDS

Dividend income and payments are recognised in the financial statements of the company in the period in which the dividends are received or paid.

1.8 PENSIONS

Arriva Plc operates a defined benefit retirement scheme which covers employees of the company. 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 profit and loss account in the period to which it relates.

1. ACCOUNTING POLICIES (continued)

1.9 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- 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 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 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

In the current year the group has adopted FRS 100 and FRS 101, in previous years the financial statements were prepared in accordance with applicable UK accounting standards.

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which permits a qualifying entity to apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS 5"), but makes amendments where necessary in order to comply with the Companies Act 2006.

The company is a qualifying entity for the purpose of FRS 101 and Note 18 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

These are the first financial statements of the company prepared in accordance with FRS 101. The company's date of transition is 1 January 2014. The company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements.

The change in basis of preparation has enabled the group to take advantage of all the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised above. 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".

There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

1. ACCOUNTING POLICIES (continued)

1.10 CURRENT AND DEFERRED TAXATION

The tax charge in the statement of comprehensive income represents the sum of the tax currently payable and the deferred tax charge 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 taxation payable is based on the taxable profit for the year. Taxable profit can differ from net profit 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 for current taxation is calculated using rates that have been enacted or subsequently enacted, at the balance sheet date.

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 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. 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.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Application of certain company accounting policies required management to make judgements, assumptions and estimates concerning the future as detailed below.

2.1 Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed 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. See note 10 for the carrying amount of the tangible fixed assets and above for the useful economic lives for each class of assets.

2.2 Impairment of debtors

The company make an estimate of the recoverable value of the trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the receivable, the ageing profile of debtors and historical experience. See note 12 for the carrying amount of debtors.

3. OPERATING LOSS

The operating loss is stated after charging fees payable to the company's auditors.

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	2015	*2014*
	£000	*£000*
Fees for the audit of the company	**5**	*5*

4. STAFF COSTS

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

	2015 £000	*2014 £000*
Wages and salaries	**5,208**	*3,700*
Social security costs	**592**	*445*
Other pension costs	**265**	*291*
	6,065	*4,436*

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

	2015 No.	*2014 No.*
Administration	**49**	*45*

5. DIRECTORS' EMOLUMENTS

	2015 £000	*2014 £000*
Aggregate emoluments	**796**	*644*
Company contributions to defined benefit pension schemes	**72**	*63*
	868	*707*

During the year retirement benefits were accruing to 3 directors *(2014 : 3)* in respect of defined benefit pension schemes.

The highest paid director received remuneration of £285,000 *(2014 : £241,000)*.

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £24,000 *(2014 : £20,000)*.

The total accrued pension provision of the highest paid director at 31 December 2015 amounted to £38,326 *(2014 : £12,116)*.

The amount of the accrued lump sum in respect of the highest paid director at 31 December 2015 amounted to £28,470.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £000	*2014 £000*
Interest receivable from group undertakings	-	*256*
	-	*256*

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £000	*2014 £000*
Interest payable to group undertakings	658	*616*
	658	*616*

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £000	*2014 £000*
Corporation tax		
Current tax on profits for the year	(3,218)	*(2,284)*
Adjustments in respect of prior years	(377)	*476*
Total current tax	(3,595)	*(1,808)*
Deferred tax		
Origination and reversal of timing differences	68	*3*
Adjustments in respect of prior years	(28)	*(393)*
Total deferred tax (Note 15)	40	*(390)*
Total taxation credit for the financial year	(3,555)	*(2,198)*

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than *(2014 - lower than)* the standard rate of corporation tax in the UK of 20.25% *(2014 - 21.5%)*. The differences are explained below:

	2015 £000	*2014 £000*
Profit on ordinary activities before tax	**2,241**	*2,997*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	**454**	*644*
Effects of:		
Adjustments in respect of prior years	**(405)**	*83*
Non-taxable dividend income received from UK companies	**(3,668)**	*(3,225)*
Impairment of fixed asset investments	**-**	*300*
Impact of rate change on deferred tax	**64**	*-*
Total tax credit for the year	**(3,555)**	*(2,198)*

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

On 8 July 2015, the Chancellor announced that the main rate of UK Corporation Tax from 1 April 2016 would remain at 20% and that the main rate of UK Corporation Tax would reduce further to 19% from 1 April 2017, with a further reduction to 18% on 1 April 2020.

These changes were enacted on 26 October 2015.

On 16 March 2016, the Chancellor announced that the main rate of UK Corporation Tax would instead reduce to 17% on 1 April 2020.

9. DIVIDENDS

	2015 £000	*2014 £000*
Dividends paid on ordinary shares	**-**	*10,000*

10. TANGIBLE ASSETS

	Computer equipment £000
Cost	
At 1 January 2015	98
At 31 December 2015	**98**
Accumulated depreciation	
At 1 January 2015	98
At 31 December 2015	**98**
Net book value	
At 31 December 2015	**-**
At 31 December 2014	*-*

11. INVESTMENTS

	Group companies £000
Cost or valuation	
At 1 January 2015	176,991
Additions	10,000
At 31 December 2015	**186,991**
Impairment	
At 1 January 2015	22,762
At 31 December 2015	**22,762**
At 31 December 2015	**164,229**
At 31 December 2014	*154,229*

11. INVESTMENTS (continued)

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Arriva Trains Northern Limited	United Kingdom	Ordinary	100 %	Dormant
Arriva Trains Merseyside Limited	United Kingdom	Ordinary	100 %	Dormant
Arriva Trains Wales / Trenau Arriva Cymru Limited	United Kingdom	Ordinary	100 %	Passenger railway services
At Seat Catering (2003) Limited	United Kingdom	Ordinary	100 %	Passenger railway services
XC Trains Limited	United Kingdom	Ordinary	100 %	Passenger railway services
London and North Western Railway Company Limited	United Kingdom	Ordinary	100 %	Service, repair and maintenance of trains
Arriva South Western (formerly Arriva Trams - Manchester Limited, formerly Arriva Transpennine Limited)	United Kingdom	Ordinary	100 %	Dormant
Arriva Rail North Limited (formerly Arriva Anglia Trains Limited, formerly Arriva Night Trains Limited)	United Kingdom	Ordinary	100 %	Passenger railway services
Arriva Scotrail Limited	United Kingdom	Ordinary	100 %	Dormant
Alliance Rail Holdings Limited	United Kingdom	Ordinary	100 %	Dormant
GCRC Holdings Limited	United Kingdom	Ordinary	100 %	Dormant
Grand Central Railway Company Limited	United Kingdom	Ordinary	100 %	Passenger railway services
Arriva Trains Holdings Limited	United Kingdom	Ordinary	100 %	Holding company

Notes to the financial statements
For the Year Ended 31 December 2015

11. INVESTMENTS (continued)

Great North Eastern Rail Company Limited	United Kingdom	Ordinary	100 %	Dormant
Great North Western Rail Company Limited	United Kingdom	Ordinary	100 %	Dormant
Arriva Rail London Limited (Formerly Arriva Trains Bidco Limited)	United Kingdom	Ordinary	100 %	Dormant
Arriva Crossrail Limited	United Kingdom	Ordinary	100 %	Dormant
M40 Trains Limited	United Kingdom	Ordinary (indirectly held)	100 %	Operation of infrastructure assets
DB Regio Tyne and Wear Limited	United Kingdom	Ordinary (indirectly held)	100 %	Passenger railway services
The Chiltern Railway Company Limited	United Kingdom	Ordinary (indirectly held)	100 %	Passenger railway services

During the year the company paid consideration of £9,999,999 to Arriva Rail North Limited in exchange for 1 ordinary share with a nominal value of £1.

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

12. DEBTORS

	2015 £000	2014 £000
Trade debtors	1,112	710
Amounts owed by group undertakings	2,683	3,156
Other debtors	1,587	1,756
Prepayments and accrued income	263	426
Group relief receivable	3,218	2,309
Deferred tax asset (Note 15)	577	617
	9,440	8,974

13. CREDITORS: Amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	103	485
Amounts owed to group undertakings	19,766	15,731
Other creditors	26	93
Accruals and deferred income	6,951	5,901
	26,846	22,210

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

	2015 £000	2014 £000
Amounts owed to group undertakings	24,631	24,597
	24,631	24,597

15. DEFERRED TAXATION

	Deferred tax £000
At 1 January 2015	**(617)**
Charged to comprehensive income	**40**
At 31 December 2015	**(577)**

The deferred tax asset is made up as follows:

	2015 £000	*2014 £000*
Excess of depreciation on fixed assets over capital allowances claimed	**(16)**	*(13)*
Other short-term timing differences	**(561)**	*(604)*
	(577)	*(617)*

16. CALLED UP SHARE CAPITAL

	2015 £	*2014 £*
Authorised		
25,000,000 Ordinary shares of £1 each (2014: 25,000,000)	**25,000,000**	*25,000,000*
Allotted, called up and fully paid		
22,500,003 Ordinary shares of £1 each (2014: 22,500,003)	**22,500,003**	*22,500,003*

Notes to the financial statements
For the Year Ended 31 December 2015

17. PENSION COMMITMENTS

A number of employees of the company are members of The Arriva Pension Scheme. This defined benefit fund was last assessed on 5 April 2012 using the projected unit method. The principal actuarial assumptions were that:

(i) the annual rate of return on investment would be 4.90% higher (from 1 January 2011 until 2015 and 3.90% thereafter) than the annual increase in total pensionable remuneration of 0.00% (frozen from 1 January 2011 until 2015 and increases thereafter capped at 1% per annum) and, where relevant,

(ii) there would be no variation from the scheme's rules to pensions in payment. On the basis of these assumptions the actuarial value of the funds at 5 April 2012 was sufficient to cover 81% of the benefits then accrued to members. The actuarial value of the schemes assets at 5 April 2012 was £51.2 million.

International Accounting Standard 19 'Employee benefits' (revised 2011)

The company makes contributions to a defined benefit scheme, The Arriva Pension Scheme which is operated by the UK intermediate parent company, Arriva Plc. 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 2015. 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 profit and loss account in the period in which they fall due.

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and ultimate controlling party is Deutsche Bahn AG, a company registered in Germany, which has prepared group financial statements incorporating the results of Arriva UK Trains Limited.

Copies of these financial statements can be obtained from Potsdamer Platz 2, 10785 Berlin.
Deutsche Bahn AG is the largest group to consolidate the financial statements of Arriva UK Trains Limited and DB Mobility Logistics AG is the smallest.

Information on Arriva UK Trains Limited can be found at their registered address Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

Transactions and balances with other companies in the Deutsche Bahn Group are not specifically disclosed as the company has taken advantage of the exemption available under IAS 24 'Related party disclosures' for wholly-owned subsidiaries.

19. FIRST TIME ADOPTION OF FRS 101

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not impacted on equity or profit or loss.