

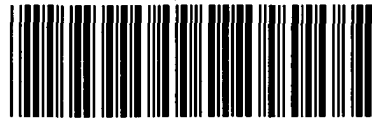
Registered number: 3166214

ARRIVA UK TRAINS LIMITED

Annual report and financial statements

For the Year Ended 31 December 2018

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ARRIVA UK TRAINS LIMITED

Company Information

Directors	A Furlong C D D Burchell C J Brooks M E C Hewitt
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

ARRIVA UK TRAINS LIMITED

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ARRIVA UK TRAINS LIMITED

Strategic report For the Year Ended 31 December 2018

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

PRINCIPAL ACTIVITY

The principal activity of the company is that of an investment holding company.

REVIEW OF BUSINESS

The company is a holding company for a number of train operating companies.

The company's statement of comprehensive income on page 7 shows a profit on ordinary activities before taxation of £29.1m (2017: £38.9m). The decrease in the profit on ordinary activities before taxation is primarily due to an impairment charge of £10.0m for the investment the company holds in Arriva Rail North Limited, an increase in net operating costs offset by an increase in dividends received from subsidiary undertakings.

As at the balance sheet date the company had net assets of £215.3m (2017: £182.1m). The increase in net assets is primarily due to the profit generated during the year.

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 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 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 Deutsche Bahn group's Integrated Report which does not form part of this report.

FUTURE DEVELOPMENTS

On 27th March 2019, Arriva UK Trains Limited's ultimate parent company Deutsche Bahn AG ("DB") announced its intention to explore options to sell the company and the UK Arriva group, through either a sale of up to 100% of the shares to one or more investors or through an Initial Public Offering ("IPO"). The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future. However, the possibility of a change in ownership of the company within the next 12 months means that the directors are unable to assess or control all scenarios for the company's future, including its funding, a future owner's intentions for the company, the post-sale group structure, or the impact on intercompany balances. Given the uncertainties associated with these possible implications should a change of ownership occur, the potential effects of the proposed sale indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

This report was approved by the board on 2 May 2019 and signed by order of the board.


A Furlong
Director

ARRIVA UK TRAINS LIMITED

Directors' report For the Year Ended 31 December 2018

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £33,177,000 (2017: £42,676,000).

The company did not pay a dividend during the year (2017: £15,000,000).

DIRECTORS

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

P C Davison (resigned 12 April 2019)
A Furlong
C D D Burchell
C J Brooks
M E C Hewitt

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Following the acquisition of Arriva by Deutsche Bahn in 2010, Deutsche Bahn AG is the principal source of funding for Arriva plc and its subsidiaries. The 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 treasury policy. For further details relating to financial risk management please refer to the Deutsche Bahn 2018 Integrated Report.

MATTERS COVERED IN THE STRATEGIC REPORT

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

ARRIVA UK TRAINS LIMITED

Directors' report For the Year Ended 31 December 2018

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have prepared the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

This report was approved by the board on 2 May 2019 and signed on its behalf.



A Furlong
Director

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

Report on the audit of the financial statements

Opinion

In our opinion Arriva UK Trains Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future. However, due to Deutsche Bahn AG exploring options to sell the company within the next 12 months, the directors have been unable to assess the company's ability to continue as a going concern beyond that point because the form of the planned transaction is unknown, as are the purchaser's intentions for the future of the company. These conditions, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

ARRIVA UK TRAINS LIMITED

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

Use of this report

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

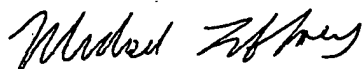
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Michael Jeffrey (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

2 May 2019

ARRIVA UK TRAINS LIMITED

Statement of comprehensive income For the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
Administrative expenses		(63,709)	(29,139)
Other operating income		46,663	13,585
Operating loss	4	(17,046)	(15,554)
Income from shares in group companies		56,500	55,000
Amounts written off investments	13	(10,000)	-
Interest payable and similar charges	8	(315)	(533)
Profit on ordinary activities before taxation		29,139	38,913
Taxation on profit on ordinary activities	9	4,038	3,763
Profit for the financial year		33,177	42,676
Total comprehensive income for the financial year		33,177	42,676

The notes on pages 10 to 24 form part of these financial statements.

ARRIVA UK TRAINS LIMITED
Registered number: 3166214

Balance sheet
As at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	11	4,295	3,934
Tangible assets	12	-	-
Investments	13	179,229	189,229
		<u>183,524</u>	<u>193,163</u>
Current assets			
Debtors	14	59,745	16,668
		<u>59,745</u>	<u>16,668</u>
Creditors: Amounts falling due within one year	15	(24,753)	(23,687)
		<u>34,992</u>	<u>(7,019)</u>
Net current assets / (liabilities)		<u>34,992</u>	<u>(7,019)</u>
Total assets less current liabilities		<u>218,516</u>	<u>186,144</u>
Creditors: Amounts falling due after more than one year	16	(3,203)	(4,008)
Net assets		<u>215,313</u>	<u>182,136</u>
Capital and reserves			
Called up share capital	18	22,500	22,500
Share premium account		93,000	93,000
Profit and loss account		99,813	66,636
Total shareholders' funds		<u>215,313</u>	<u>182,136</u>

The financial statements on pages 7 to 24 were approved and authorised for issue by the board and were signed on its behalf on 2 May 2019.


A Furlong
Director

The notes on pages 10 to 24 form part of these financial statements.

ARRIVA UK TRAINS LIMITED

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

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2017	22,500	93,000	38,960	154,460
Comprehensive income for the year				
Profit for the financial year	-	-	42,676	42,676
Total comprehensive income for the year	-	-	42,676	42,676
Dividends paid (Note 10)	-	-	(15,000)	(15,000)
At 1 January 2018	22,500	93,000	66,636	182,136
Comprehensive income for the year				
Profit for the financial year	-	-	33,177	33,177
Total comprehensive income for the year	-	-	33,177	33,177
At 31 December 2018	22,500	93,000	99,813	215,313

The notes on pages 10 to 24 form part of these financial statements.

ARRIVA UK TRAINS LIMITED

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

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

GOING CONCERN

On 27th March 2019, Arriva UK Trains Limited's ultimate parent company Deutsche Bahn AG ("DB") announced its intention to explore options to sell the company and the UK Arriva group, through either a sale of up to 100% of the shares to one or more investors or through an Initial Public Offering ("IPO"). The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future. However, the possibility of a change in ownership of the company within the next 12 months means that the directors are unable to assess or control all scenarios for the company's future, including its funding, a future owner's intentions for the company, the post-sale group structure, or the impact on intercompany balances. Given the uncertainties associated with these possible implications should a change of ownership occur, the potential effects of the proposed sale indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

1.2 TANGIBLE ASSETS

Tangible assets are stated at cost less accumulated depreciation.

Depreciation

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

Depreciation is provided on the following bases:

Computer equipment	-	3 years straight line
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**Notes to the financial statements
For the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES (continued)

1.3 INTANGIBLE FIXED ASSETS AND AMORTISATION

Intangible assets are included at cost less accumulated amortisation.

Intangible fixed asset relate to development costs incurred to establish a customer facing web portal.

The costs are capitalised at cost, when incurred, and amortised over 5 years, that being the project life. Amortisation charges are included within administration costs in the statement of comprehensive income.

1.4 INVESTMENTS

Investments are included at cost less 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.

1.5 DEBTORS

Trade and other debtors are initially measured at fair value and subsequently at amortised cost. 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. Objective evidence for impairment could be observable changes in national or local economic conditions / government policies on transport.

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 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 statement of comprehensive income in the period to which it relates.

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

1. ACCOUNTING POLICIES (continued)

1.8 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
- 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 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;
- 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 21 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

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

The 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 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".

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

1. ACCOUNTING POLICIES (continued)

1.9 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.

Where companies within the UK Group make payments for tax losses where the amount paid exceeds the tax value of the losses, any excess is reported as a movement through equity.

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.

1.10 OPERATING LEASES

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

1.11 DIVIDENDS

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

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

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 assets (estimates)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 12 for the carrying amount of the tangible assets and Note 1.2 for the useful economic lives for each class of assets.

2.2 Impairment of debtors (estimates)

The company make an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. See Note 14 for the carrying amount of debtors.

2.2 Accruals and deferred income (estimates)

The company recognise accrued expenses within the financial statements. They are calculated at the cost the company expect to be paid in future periods, based on reliable evidence available at the time the financial statements are prepared.

3. GENERAL INFORMATION

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

The registered company number is 3166214 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP.

4. OPERATING LOSS

The operating loss is stated after charging:

	2018 £000	2017 £000
Amortisation of intangible assets	975	127
Operating lease rentals		
- other operating leases	485	485
	<u>485</u>	<u>485</u>

ARRIVA UK TRAINS LIMITED

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

5. AUDITORS' REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements of the company:

	2018 £000	2017 £000
Fees for the audit of the company	<u>10</u>	<u>8</u>

6. STAFF COSTS

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

	2018 £000	2017 £000
Wages and salaries	8,059	5,855
Social security costs	895	662
Other pension costs (Note 19)	482	315
	<u>9,436</u>	<u>6,832</u>

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

	2018 No.	2017 No.
Administration	<u>97</u>	<u>86</u>

ARRIVA UK TRAINS LIMITED

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

7. DIRECTORS' EMOLUMENTS

	2018 £000	2017 £000
Aggregate emoluments	703	807
Company contributions to defined benefit pension schemes	52	73
	<u>755</u>	<u>880</u>

During the year retirement benefits were accruing to 3 directors (2017 - 4) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £311,000 (2017 - £298,000).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £19,000 (2017 - £19,000). During the year, compensation for loss of office was paid to former directors totalling £89,000 (2017: £215,200).

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
Interest payable to group undertakings	315	531
Net exchange loss on foreign currency transactions	-	2
	<u>315</u>	<u>533</u>

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	(3,290)	(3,103)
Adjustments in respect of prior years	(585)	(1,065)
Total current tax credit	<u>(3,875)</u>	<u>(4,168)</u>
Deferred tax		
Origination and reversal of timing differences	(8)	5
Adjustments in respect of prior years	(155)	400
Total deferred tax (credit) / charge (Note 17)	<u>(163)</u>	<u>405</u>
Total taxation credit for the financial year	<u>(4,038)</u>	<u>(3,763)</u>

ARRIVA UK TRAINS LIMITED

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

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

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

	2018 £000	2017 £000
Profit on ordinary activities before tax	29,139	38,913
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 : 19.25%)	5,536	7,491
Effects of:		
Adjustments in respect of prior years	(740)	(665)
Non-deductible impairment of fixed asset investment	1,900	-
Non-taxable dividend income received from UK companies	(10,735)	(10,588)
Impact of rate change on deferred tax	1	(1)
Total tax credit for the year	(4,038)	(3,763)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

10. DIVIDENDS

	2018 £000	2017 £000
Dividends paid on ordinary shares	-	15,000

ARRIVA UK TRAINS LIMITED

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

11. INTANGIBLE ASSETS

	Intangibles £000
COST	
At 1 January 2018	4,061
Additions	1,336
At 31 December 2018	<u>5,397</u>
AMORTISATION	
At 1 January 2018	127
Charge for the year	975
At 31 December 2018	<u>1,102</u>
NET BOOK VALUE	
At 31 December 2018	<u>4,295</u>
At 31 December 2017	<u>3,934</u>

Intangible assets represents the investment in divisional customer retailing solutions for UK Train companies within the Arriva group.

ARRIVA UK TRAINS LIMITED

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

12. TANGIBLE ASSETS

	Computer equipment £000
At 1 January 2018	98
Disposals	(98)
At 31 December 2018	-
Accumulated depreciation	
At 1 January 2018	98
Disposals	(98)
At 31 December 2018	-
Net book value	
At 31 December 2018	-
<i>At 31 December 2017</i>	<i>-</i>

13. INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	190,623
At 31 December 2018	190,623
Impairment	
At 1 January 2018	1,394
Charge for the year	10,000
At 31 December 2018	11,394
At 31 December 2018	179,229
<i>At 31 December 2017</i>	<i>189,229</i>

ARRIVA UK TRAINS LIMITED

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

13. INVESTMENTS (CONTINUED)

An impairment charge of £10,000,000 (2017: £Nil) was recognised in relation to the company's investment in Arriva Rail North Limited, to reflect the reduction in the underlying assets of that company. The directors believe that the carrying value of the investments is supported by their underlying assets.

The company held the following investments as at the balance sheet date:

Name	Address of registered office	Class of shares	Holding	Principal activity
Arriva Trains Wales / Trenau Arriva Cymru Limited	13.1	Ordinary	100 %	Passenger railway services - franchise ended 14 October 2018
At Seat Catering (2003) Limited	13.1	Ordinary	100 %	On board catering to 14 October 2018
XC Trains Limited	13.1	Ordinary	100 %	Passenger railway services
London and North Western Railway Company Limited	13.1	Ordinary	100 %	Service, repair and maintenance of trains
Arriva Rail East Midlands Limited	13.1	Ordinary	100 %	Dormant company
Arriva Rail North Limited	13.1	Ordinary	100 %	Passenger railway services
Alliance Rail Holdings Limited	13.1	Ordinary	100 %	Dormant company
Grand Central Railway Company Limited	13.1	Ordinary	100 %	Passenger railway services
Arriva Trains Holdings Limited	13.1	Ordinary	100 %	Holding company
Arriva South Eastern Rail Limited	13.1	Ordinary	100 %	Dormant company
Great North Western Railway Company Limited	13.1	Ordinary	100 %	Dormant company
Arriva Rail London Limited	13.1	Ordinary	100 %	Passenger railway services
M40 Trains Limited	13.1	Ordinary (indirectly held)	100 %	Operating of infrastructure assets
DB Regio Tyne and Wear Limited	13.1	Ordinary (indirectly held)	100 %	Dormant company

ARRIVA UK TRAINS LIMITED

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

13. INVESTMENTS (CONTINUED)

The Chiltern Railway Company Limited	13.1	Ordinary (indirectly held)	100 % Passenger railway services
Arriva Rail XC Limited (formerly Arriva Rail Wales/Rheilffyrdd Arriva Cymru Limited)	13.1	Ordinary	100 % Dormant company
WSMR (Holdings) Limited	13.1	Ordinary (indirectly held)	50 % Holding dormant company
London Overground Rail Operations Limited	13.2	Ordinary (indirectly held)	50 % Dormant company
Wrexham Shropshire & Marleybone Railway Company Limited	13.1	Ordinary (indirectly held)	50 % Dormant company

List of registered offices:

13.1 1 Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP

13.2 Overground House 125 Finchley Road, Swiss Cottage, London, NW3 6HY

14. DEBTORS

	2018 £000	2017 £000
Trade debtors	20,336	2,300
Amounts owed by group undertakings	33,076	9,244
Other debtors	2,579	1,676
Prepayments and accrued income	15	59
Group relief receivable	3,290	3,103
Deferred tax asset (Note 17)	449	286
	59,745	16,668

ARRIVA UK TRAINS LIMITED

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

15. CREDITORS: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	1,644	1,696
Amounts owed to group undertakings	6,502	13,511
Accruals and deferred income	16,607	8,480
	<u>24,753</u>	<u>23,687</u>

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

	2018 £000	2017 £000
Amounts owed to group undertakings	-	697
Accruals and deferred income	3,203	3,311
	<u>3,203</u>	<u>4,008</u>

17. DEFERRED TAX ASSET

	2018 £000	2017 £000
At 1 January	286	691
Credited / (charged) to comprehensive income (Note 9)	163	(405)
At 31 December	<u>449</u>	<u>286</u>

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Excess of depreciation on fixed assets over capital allowances claimed	36	24
Other short term timing differences	413	262
	<u>449</u>	<u>286</u>

ARRIVA UK TRAINS LIMITED

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

18. CALLED UP SHARE CAPITAL

	2018 £	2017 £
Authorised		
25,000,000 Ordinary shares of £1 each (2017: 25,000,000)	<u>25,000,000</u>	<u>25,000,000</u>
Allotted, called up and fully paid		
22,500,003 Ordinary shares of £1 each (2017: 22,500,003)	<u>22,500,003</u>	<u>22,500,003</u>

19. 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 2015 using the projected unit method. The principal actuarial assumptions were that:

- (i) the annual rate of return on investment would be 3.5% higher than the annual increase in total pensionable remuneration of 1.0% 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 2015 was sufficient to cover 92% of the benefits then accrued to members. The actuarial value of the schemes assets at 5 April 2015 was £68.5 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 2018. 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 comprehensive income in the period in which they fall due.

The pension cost charge for the year represents contributions payable by the company and amounted to £482,000 (2017: £315,000).

ARRIVA UK TRAINS LIMITED

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

20. COMMITMENTS UNDER OPERATING LEASES

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

	2018 £000	2017 £000
Not later than 1 year	500	485
Later than 1 year and not later than 5 years	1,953	1,941
Later than 5 years	1,173	1,618
Total operating lease commitments	3,626	4,044

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is MTL Services 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 Arriva UK Trains Limited.

Copies of these financial statements can be obtained from Potsdamer Platz 2, 10785 Berlin.

Deutsche Bahn AG is the largest and smallest group to consolidate the financial statements of Arriva UK Trains Limited. Information on Arriva UK Trains Limited can be found at their registered address 1 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.