Registered number: 3166214

# ARRIVA UK TRAINS LIMITED

## Annual report and financial statements

## For the Year Ended 31 December 2019

## Company Information

| | |
|---|---|
| **Directors** | A Furlong<br>C J Brooks<br>D Brown |
| **Registered number** | 3166214 |
| **Registered office** | 1 Admiral Way<br>Doxford International Business Park<br>Sunderland<br>Tyne and Wear<br>SR3 3XP |
| **Independent auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>Central Square South<br>Orchard Street<br>Newcastle upon Tyne<br>NE1 3AZ |

## Contents

## Strategic report
## For the Year Ended 31 December 2019

The directors present their Strategic report for the year ended 31 December 2019.

**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 11 shows a profit before taxation of £70.4m (2018: £29.1m). The increase in the profit on ordinary activities before taxation is primarily due to an increase in dividends received from subsidiary undertakings and a reduction in administration expenses.

There were no impairment charges to the company's investments during the year (2018: £10.0m impairment for the investment the company holds in Arriva Rail North Limited).

As at the balance sheet date the company had net assets of £286.6m (2018: £215.3m). 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.

**SECTION 172 STATEMENT**

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

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

- Employees
- Suppliers
- The company's subsidiaries
- Local communities in which the company is based.

During the financial year ended 31 December 2019 the directors did not make any principal decisions that impacted on the financial performance or position of the company or its ability to meet the expectations of the company's key stakeholders.

The Arriva group's values are working as "One Arriva", providing great customer experience, doing the right thing and thinking beyond.

The directors of the company promote good governance, which is key to driving the success of the company. The directors aim to achieve the above values of the Arriva group, as well as continuing good relationships with all stakeholders who are critical to the long-term success of the company. The directors consider the Arriva group values when making decisions.

**SECTION 172 STATEMENT (continued)**

The company is part of the Arriva group and its ultimate parent company is Deutsche Bahn AG. The implementation of the strategy and policies of the company, including those relating to its relationships with key stakeholders, are managed locally by the board of the company, and oversight is provided by the Arriva UK Trains 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 Trains division. The directors of the company aim to meet at least once in each financial year.

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

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

Within its individual business functions, Arriva encourages staff to volunteer for charities and projects in the local community, this includes supporting local schools with career advice, as well as various types of fund raising and other community projects. Business functions align this work in a manner that fits with their structure and that maximises the benefit that the company can be deliver to its communities.

During the financial year ended 31 December 2019, initiatives for the Arriva group included supporting food banks, supporting homeless charities and partaking in appeals for local children's charities. The Arriva UK Trains division, including the company, has a successful corporate partnership with the National Literacy Trust which delivers engagement opportunities for staff, children and parents across the UK trains operating network.

Further information on engagement with employees during the financial year ended 31 December 2019 is provided in the 'Employee engagement' section of the Directors' 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**

The company is a wholly owned subsidiary of Deutsche Bahn AG and part of the Arriva group which Deutsche Bahn AG heads. As a public transport operator, the Arriva group has been significantly impacted by the Covid-19 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 during the pandemic.

The company is a holding company for train operating companies. As the company is a holding company it has been less directly impacted by the pandemic than other companies in the Arriva group.

**FUTURE DEVELOPMENTS (continued)**

The company voluntarily participates in a group cash 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 all the company's cash balances are swept into the group cash pool at the end of each business day. The company has a positive cash pooling balance at the balance sheet date and the directors expect the company's pooled cash balance to remain positive over the going concern assessment period.

The company is currently dependent on daily access to its funds in the cash pool for the funds 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, this 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. 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. The company also has a unilateral right to terminate its participation in the group cash pooling arrangement by giving one month's notice to DB.

The directors acknowledge that the uncertainty regarding immediate access to funds placed with DB indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to have full and immediate access to its pooled cash balances with DB and will continue to have access to adequate financial and other resources to continue to operate for the foreseeable future. In completing their going concern assessment, the directors have considered the expected impact of the Covid-19 pandemic on the company's financial position, based on severe but plausible downside scenarios, along with associated management actions to mitigate those impacts.

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.

This report was approved by the board on 5 May 2021 and signed on behalf of the board.

**A Furlong**
Director

**Directors' report**
**For the Year Ended 31 December 2019**

The directors present their report and the for the year ended 31 December 2019.

## RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £71,268,000 *(2018 - £33,177,000).*

The company did not pay a dividend during the current or previous financial year. In September 2020, the company declared and paid a dividend of £60,000,000 to MTL Services Limited, the company's immediate parent company.

## 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 (resigned 9 October 2020)
C J Brooks
M E C Hewitt (resigned 1 January 2020)
D Brown (appointed 27 November 2020)

## 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 2019 Integrated Report.

**Directors' report**
**For the Year Ended 31 December 2019**

## 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 Arriva group conducts biennial employee surveys which are used to highlight areas of improvement, and areas of concern. The Arriva Management Board 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 group's intranet and yammer pages, in addition meetings are held by line managers with their teams in order to address areas of concern and seek employee input to find solutions.

Information on matters impacting employees, including initiatives arising following the employee surveys, are communicated to employees through briefings via line managers, email bulletins and using the Arriva group's intranet. There is also a weekly update on the Arriva group's intranet highlighting success stories. The update is also used to improve connectivity within the Arriva group and to promote working together as One Arriva.
In 2019 Arriva group launched 'GAIN' for Mental Health, which is the Arriva group's Global Arriva Inclusion Network aimed at promoting support for mental health, and encouraging employees to share their stories in order to tackle mental health concerns, and provide support to the wider Arriva group.

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 had, subject to the restraints of commercial confidentiality, a policy of employee involvement and inclusion, by making information available to employees about recent and future developments and business activities of the company, including financial and economic factors that may have impacted on the company's performance.

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

In 2019 Arriva group launched the 'Emerging Leaders' programme which 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 and projects.

Also, in 2019, the 'Lift Off for Leadership' programme was launched. This programme is 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.

## DISABLED EMPLOYEES

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

## Directors' report
## For the Year Ended 31 December 2019

### MATTERS COVERED IN THE STRATEGIC REPORT

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

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

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

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

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

**Directors' report**
**For the Year Ended 31 December 2019**

This report was approved by the board on 5 May 2021 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 2019 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 2019; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

*Independence*

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

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. The company is dependent on the Deutsche Bahn AG ("DB") cash pooling 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 agreement with DB, the company does not have explicit rights for immediate access to these funds on request, 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. 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 2019 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 in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

*Use of this report*

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

## Other required reporting

**Companies Act 2006 exception reporting**

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

- we have not 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.

Ian Morrison

Ian Morrison (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
NE1 3AZ

5 May 2021

## Statement of comprehensive income
## For the Year Ended 31 December 2019

| | Note | 2019 £000 | *2018 £000* |
|---|---|---|---|
| Administrative expenses | | **(47,066)** | *(63,709)* |
| Other operating income | | **42,580** | *46,663* |
| **Operating loss** | 4 | **(4,486)** | *(17,046)* |
| Income from shares in group undertakings | | **75,000** | *56,500* |
| Amounts written off investments | 13 | **-** | *(10,000)* |
| Interest receivable and similar income | 8 | **77** | *-* |
| Interest payable and similar charges | 9 | **(234)** | *(315)* |
| **Profit before taxation** | | **70,357** | *29,139* |
| Tax on profit | 10 | **911** | *4,038* |
| **Profit for the financial year** | | **71,268** | *33,177* |
| **Total comprehensive income for the financial year** | | **71,268** | *33,177* |

The notes on pages 14 to 33 form part of these financial statements.

## Balance sheet
## As at 31 December 2019

| | Note | | 2019 £000 | | *2018 £000* |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 11 | | **3,773** | | *4,295* |
| Tangible assets | 12 | | **9** | | *-* |
| Investments | 13 | | **179,229** | | *179,229* |
| | | | **183,011** | | *183,524* |
| **Current assets** | | | | | |
| Debtors: Amounts falling due after more than one year | 14 | **3,245** | | *-* | |
| Debtors: Amounts falling due within one year | 14 | **131,757** | | *59,745* | |
| | | **135,002** | | *59,745* | |
| Creditors: Amounts falling due within one year | 15 | **(28,183)** | | *(24,753)* | |
| **Net current assets** | | | **106,819** | | *34,992* |
| **Total assets less current liabilities** | | | **289,830** | | *218,516* |
| Creditors: Amounts falling due after more than one year | 16 | | **(3,249)** | | *(3,203)* |
| **Net assets** | | | **286,581** | | *215,313* |
| **Capital and reserves** | | | | | |
| Called up share capital | 18 | | **22,500** | | *22,500* |
| Share premium account | | | **93,000** | | *93,000* |
| Profit and loss account | | | **171,081** | | *99,813* |
| **Total shareholders' funds** | | | **286,581** | | *215,313* |

The financial statements on pages 11 to 32 were approved and authorised for issue by the board and were signed on its behalf on 5 May 2021.

**A Furlong**
Director

The notes on pages 14 to 33 form part of these financial statements.

## Statement of changes in equity
## For the Year Ended 31 December 2019

| | Called up share capital £000 | Share premium account £000 | Profit and loss account £000 | Total shareholders' funds £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 |
| **Comprehensive income for the year** | | | | |
| Profit for the financial year | - | - | 71,268 | 71,268 |
| **Total comprehensive income for the year** | - | - | 71,268 | 71,268 |
| **At 31 December 2019** | 22,500 | 93,000 | 171,081 | 286,581 |

The notes on pages 14 to 33 form part of these financial statements.

## Notes to the financial statements
## For the Year Ended 31 December 2019

## 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 16 "Leases", which has had a material impact on the company's financial statements (see Note 21). There are no other amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

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

**GOING CONCERN**

The company is a wholly owned subsidiary of Deutsche Bahn AG and part of the Arriva group which Deutsche Bahn AG heads. As a public transport operator, the Arriva group has been significantly impacted by the Covid-19 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 during the pandemic.

The company is a holding company for train operating companies. As the company is a holding company it has been less directly impacted by the pandemic than other companies in the Arriva group.

The company voluntarily participates in a group cash 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 all the company's cash balances are swept into the group cash pool at the end of each business day. The company has a positive cash pooling balance at the balance sheet date and the directors expect the company's pooled cash balance to remain positive over the going concern assessment period.

The company is currently dependent on daily access to its funds in the cash pool for the funds 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, this 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. However, the directors consider this risk to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice.

## 1. ACCOUNTING POLICIES (CONTINUED)

### GOING CONCERN (continued)

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. The company also has a unilateral right to terminate its participation in the group cash pooling arrangement by giving one month's notice to DB.

The directors acknowledge that the uncertainty regarding immediate access to funds placed with DB indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to have full and immediate access to its pooled cash balances with DB and will continue to have access to adequate financial and other resources to continue to operate for the foreseeable future. In completing their going concern assessment, the directors have considered the expected impact of the Covid-19 pandemic on the company's financial position, based on severe but plausible downside scenarios, along with associated management actions to mitigate those impacts.

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 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:

| | | |
|---|---|---|
| Motor vehicles | - | over the term of the lease |

### 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.

**Notes to the financial statements**
**For the Year Ended 31 December 2019**

## 1. ACCOUNTING POLICIES (CONTINUED)

### 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 held with the intention to collect the contractual cash flows and are initially measured at fair value and subsequently at amortised cost less any allowance for impairment (where such allowance is material).

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

### 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 and subsequently at amortised cost.

### 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.

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 20 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".

## 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. ACCOUNTING POLICIES (CONTINUED)

### 1.10 LEASES

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

The lease liability is initially measured at the present value of future lease payments, discounted using the incremental borrowing rate of the company (or rate implicit in the lease, if available).

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

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

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

The company is the lessee of 2 properties utilised by a fellow group undertaking. The related leases expenses incurred are recharged to the fellow group undertaking. The company's recharge arrangement with the fellow group undertaking for these properties has been assessed in substance as a sub-lease agreement of consistent duration as the head-lease with the lessor. The arrangement has been accounted as finance sub-leases as the fellow group undertaking directs the control of, and benefits from right-of-use of, the assets throughout the lease term. Consequently, the company has not recognised a right-of-use tangible asset for these leases, instead recognising a finance lease receivable initially at the net investment value of the lease. The receivable is subsequently adjusted for payments received from the fellow group undertaking, which are apportioned between a reduction in the net investment in the lease and finance income recognised within 'interest receivable and similar income' over the lease term.

Prior to the adoption of IFRS 16 on 1 January 2019, the company classified its lease contracts as operating or finance leases in line with IAS 17, with contracts categorised as finance leases where it was determined that the risks and rewards of ownership of the asset had transferred to the company. All of the company's leases were previously categorised as operating leases under IAS 17, with the associated costs recognised as an expense 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.

## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.12 OTHER OPERATING INCOME

Other operating income is primarily derived from management charges to fellow group undertakings and is recognised in the Statement of comprehensive income on an accruals basis, when the company has performed the service to which the charge relates.

## 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.

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.

**Critical judgements in applying accounting policies**

There were no judgments made in applying the company's accounting policies that had a significant effect on the financial statements.

**Critical assumptions and key sources of estimation uncertainty**

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

Impairment of investments
The directors assess whether there are any impairment of the carrying value of investments in group undertakings on an annual basis. If there are any indicators of an impairment of the carrying value of the investment the directors will perform an impairment review of the investment, as well as an assessment of any impairment of amounts owed by the group undertaking. In performing the impairment review judgement is applied, in particular assessing future cash flows. If an impairment is identified the relevant adjustment is made to the carrying value of the investment or amounts owed by group undertakings.

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

## 3. GENERAL INFORMATION

The company is a private limited company, incorporated and domiciled in England, 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, Tyne and Wear, SR3 3XP.

## 4. OPERATING LOSS

The operating loss is stated after charging:

| | **2019** | *2018* |
|---|---|---|
| | **£000** | *£000* |
| Direct expenses for investment properties generating rental income | - | - |
| Depreciation of tangible fixed assets | **7** | - |
| Amortisation of intangible assets | **1,079** | *975* |
| Staff costs (Note 6) | **9,191** | *9,436* |
| **Lease expenses*** | | |
| - other operating leases | - | *485* |

Other lease expenses in the year ended 31 December 2018 represent the total lease expense recognised in accordance with IAS 17. See Note 21 for the impact of adoption of IFRS 16.

## 5. AUDITORS' REMUNERATION

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

| | **2019** | *2018* |
|---|---|---|
| | **£000** | *£000* |
| Fees for the audit of the company | **12** | *10* |

## 6. STAFF COSTS

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

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Wages and salaries | 7,851 | 8,059 |
| Social security costs | 943 | 895 |
| Other pension costs (Note 19) | 397 | 482 |
| | 9,191 | 9,436 |

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

| | 2019 No. | 2018 No. |
|---|---|---|
| Administration | 112 | 97 |

## 7. DIRECTORS' EMOLUMENTS

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Aggregate emoluments | 757 | *703* |
| Company contributions to defined benefit pension schemes | 59 | *52* |
| | 816 | *755* |

During the year retirement benefits were accruing to 3 directors *(2018 - 3)* in respect of defined benefit pension schemes.

The highest paid director received remuneration of £324,000 *(2018 - £311,000).*

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £21,000 *(2018 - £19,000)*. During the year, no compensation for loss of office was paid to former directors (2018: £89,000).

## 8. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Interest receivable from group undertakings | 77 | - |
| | 77 | - |

## 9. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Interest payable to group undertakings | 143 | *315* |
| Interest on lease liabilities | 91 | - |
| | 234 | *315* |

## 10. TAX ON PROFIT

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | (883) | *(3,290)* |
| Adjustments in respect of prior years | (287) | *(585)* |
| **Total current tax credit** | (1,170) | *(3,875)* |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 2 | *(8)* |
| Adjustments in respect of prior years | 257 | *(155)* |
| **Total deferred tax charge / (credit) (Note 17)** | 259 | *(163)* |
| **Total tax credit for the financial year** | (911) | *(4,038)* |

### FACTORS AFFECTING TAX CREDIT FOR THE YEAR

The tax assessed for the year is lower than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19% *(2018 - 19%)*. The differences are explained below:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Profit before tax | 70,357 | *29,139* |
| Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2018 : 19%) | 13,368 | *5,536* |
| **Effects of:** | | |
| Adjustments in respect of prior years | (30) | *(740)* |
| Non-deductible impairment of fixed asset investment | - | *1,900* |
| Non-taxable dividend income received from UK companies | (14,250) | *(10,735)* |
| Impact of rate change on deferred tax | 1 | *1* |
| **Total tax credit for the year** | (911) | *(4,038)* |

### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

## 11. INTANGIBLE ASSETS

| | Intangibles £000 |
|---|---|
| **COST** | |
| At 1 January 2019 | **5,397** |
| Additions | **567** |
| Disposals | **(10)** |
| At 31 December 2019 | **5,954** |
| ACCUMULATED AMORTISATION | |
| At 1 January 2019 | **1,102** |
| Charge for the year | **1,079** |
| At 31 December 2019 | **2,181** |
| **NET BOOK VALUE** | |
| At 31 December 2019 | **3,773** |
| *At 31 December 2018* | *4,295* |

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

## 12. TANGIBLE ASSETS

| | Motor vehicles £000 |
|---|---|
| **COST OR VALUATION** | |
| Adoption of IFRS 16 (Note 21) | 16 |
| At 1 January 2019 (adjusted balance) | 16 |
| At 31 December 2019 | 16 |
| **ACCUMULATED DEPRECIATION** | |
| Charge for the year | 7 |
| At 31 December 2019 | 7 |
| **NET BOOK VALUE** | |
| At 31 December 2019 | 9 |
| *At 31 December 2018* | - |

## 13. INVESTMENTS

| | Investments in subsidiary companies £000 |
|---|---|
| **COST OR VALUATION** | |
| At 1 January 2019 | **190,623** |
| At 31 December 2019 | **190,623** |
| **IMPAIRMENT** | |
| At 1 January 2019 | **11,394** |
| At 31 December 2019 | **11,394** |
| **NET BOOK VALUE** | |
| At 31 December 2019 | **179,229** |
| *At 31 December 2018* | *179,229* |

There were no impairment charges during the year (2018: £10,000,000 was recognised as an impairment charge 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.

## 13. INVESTMENTS (CONTINUED)

### SUBSIDIARY UNDERTAKINGS

*The following were subsidiary undertakings of the company:*

| Name | Registered office | Class of shares | Holding % |
|---|---|---|---|
| Arriva Trains Wales / TrenauArriva Cymru Limited | 12.1 | Ordinary | 100 |
| At Seat Catering (2003) Limited | 12.1 | Ordinary | 100 |
| XC Trains Limited | 12.1 | Ordinary | 100 |
| London and North Western Railway Company Limited | 12.1 | Ordinary | 100 |
| Arriva Rail East Midlands Limited | 12.1 | Ordinary | 100 |
| Arriva Rail North Limited | 12.1 | Ordinary | 100 |
| Alliance Rail Holdings Limited | 12.1 | Ordinary | 100 |
| Grand Central Railway Company Limited | 12.1 | Ordinary | 100 |
| Arriva Trains Holdings Limited | 12.1 | Ordinary | 100 |
| Arriva South Eastern Rail Limited | 12.1 | Ordinary | 100 |
| Great North Western Railway Company Limited | 12.1 | Ordinary | 100 |
| Arriva Rail London Limited | 12.1 | Ordinary | 100 |
| M40 Trains Limited | 12.1 | Ordinary (indirectly held) | 100 |
| DB Regio Tyne and Wear Limited | 12.1 | Ordinary (indirectly held) | 100 |
| The Chiltern Railway Company Limited | 12.1 | Ordinary (indirectly held) | 100 |
| Arriva Rail XC Limited | 12.1 | Ordinary | 100 |
| WSMR (Holdings) Limited | 12.1 | Ordinary (indirectly held) | 50 |
| London Overground Rail Operations Limited | 12.2 | Ordinary (indirectly held) | 50 |
| Wrexham Shropshire & Marleybone Railway Company Limited | 12.1 | Ordinary (indirectly held) | 50 |

**List of registered offices:**

**12.1** 1 Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP
**12.2** Overground House 125 Finchley Road, Swiss Cottage, London, NW3 6HY

## 14. DEBTORS

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Amounts falling due after more than one year** | | |
| Lease receivable owed by group undertakings | **3,245** | - |
| | **3,245** | - |

Included within lease receivable owed by group undertakings is £250,000 due greater than 5 years (2018: £Nil).

**Amounts falling due within one year**

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Trade debtors | **6,146** | *20,336* |
| Amounts owed by group undertakings | **111,094** | *33,076* |
| Other debtors | **2,890** | *2,579* |
| Prepayments and accrued income | **8,908** | *15* |
| Lease receivable owed by group undertakings | **1,646** | - |
| Group relief receivable | **883** | *3,290* |
| Deferred tax asset (Note 17) | **190** | *449* |
| | **131,757** | *59,745* |

Included within prepayments and accrued income is £3,435,000 (2018: Nil) relating to contract assets under IFRS 15. Included within amounts owed by group undertakings is £2,670,000 (2018: Nil) relating to contract assets under IFRS 15. All amounts owed by group undertakings are unsecured, interest free and repayable on demand.

## 15. CREDITORS: Amounts falling due within one year

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Lease liabilities | **579** | - |
| Trade creditors | **1,995** | *1,644* |
| Amounts owed to group undertakings | **10,080** | *6,502* |
| Accruals and deferred income | **15,529** | *16,607* |
| | **28,183** | *24,753* |

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

**Notes to the financial statements**
**For the Year Ended 31 December 2019**

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

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Lease liabilities | 3,249 | - |
| Accruals and deferred income | - | *3,203* |
| | 3,249 | *3,203* |

## 17. DEFERRED TAX ASSET

| | 2019 £000 | *2018 £000* |
|---|---|---|
| At 1 January | 449 | *286* |
| (Charged) / credited to profit for the financial year (Note 10) | (259) | *163* |
| **At 31 December** | 190 | *449* |

The deferred tax asset is made up as follows:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Excess of depreciation on fixed assets over capital allowances claimed | 36 | *36* |
| Other short term timing differences | 154 | *413* |
| | 190 | *449* |

## 18. CALLED UP SHARE CAPITAL

| | 2019 £ | *2018 £* |
|---|---|---|
| **Authorised** | | |
| 25,000,000 Ordinary shares of £1 each (2018: 25,000,000) | 25,000,000 | *25,000,000* |
| **Allotted, called up and fully paid** | | |
| 22,500,003 Ordinary shares of £1 each (2018: 22,500,003) | 22,500,003 | *22,500,003* |

## 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 2019. 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 £397,000 (2018: £482,000).

## 20. 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 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 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.

## 21. IMPACT OF ADOPTION OF IFRS 16

On 1 January 2019 the company adopted IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the Standard recognised on that date.

On transition, the company recognised an additional £16,000 of right-of-use assets and £4,398,000 of lease liabilities. The difference represents prepaid lease expenses at 31 December 2018 and an adjustment to reflect that certain lease liabilities relate to assets sub-leased to a fellow group undertaking under finance leases, which were recognised as finance leases receivable owed by group undertakings.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 1.8%.

The company has applied the following practical expedients on transition to IFRS 16 for existing lease contracts previously classified as operating leases under IAS 17:

- to not reassess whether a contract is, or contains, a lease at the date of initial application to all leases which previously qualified as a lease under the provisions of IAS 17 and IFRIC 4;

- to account for leases as short term where the lease term ends within 12 months of initial application; and

- initial direct costs have been excluded from the measurement of the right-of-use asset on initial application

| | **£000** |
|---|---|
| Operating lease commitment as at 31 December 2018 | 3,626 |
| Recognition exemptions: | |
| - Short term leases | (4) |
| Additional lease commitments identified on transition to IFRS16 | 1,142 |
| Effect from discounting | (366) |
| **Lease liabilities as at 1 January 2019** | **4,398** |
| Prepaid lease expenses as at 31 December 2018 | 60 |
| Adjustment for finance sub-lease arrangements not recognised as right-of-use assets | (4,442) |
| **Right-of-use assets as at 1 January 2019** | **16** |

## 22. POST BALANCE SHEET EVENT

Dividends paid
In September 2020, the company declared and paid a dividend of £60,000,000 to MTL Services Limited, the company's immediate parent company.

Covid-19 pandemic
As a public transport operator, the Arriva group has been significantly impacted by the Covid-19 coronavirus pandemic, which is a non-adjusting post balance sheet event, with a resulting impact on passengers, colleagues, and other business stakeholders.

The company is a holding company for a number of train operating companies, with investments in subsidiary companies which are operators of passenger transport services. As a holding company, Arriva UK Trains Limited has been less directly impacted by the pandemic than other companies in the Arriva group.

Impairment charges may need to be recognised in the company's financial statements for the year ended 31 December 2020 on certain of the company's investments in subsidiaries, due to the impact of the pandemic on those subsidiaries' financial projections. The value of the potential impairments cannot be quantified at this time, as the financial projections and associated impairment reviews have not yet been finalised.