Registered number: 03166214

ARRIVA UK TRAINS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

ARRIVA UK TRAINS LIMITED

COMPANY INFORMATION

Directors	A Furlong C J Brooks D Brown
Registered number	03166214
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

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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 12 shows a loss before taxation of £17.5m (2019: profit of £70.4m). The decrease in the profit on ordinary activities before taxation is primarily due to a reduction in dividends received from subsidiary undertakings and an impairment of the company's investments.

During the year the company impaired its investment in Grand Central Railway Company Limited in full, resulting in an impairment charge of £28.0m (2019: £NIL). The impairment is due to the significant impact the Covid-19 pandemic has had on Grand Central Railway Company Limited.

As at the balance sheet date the company had net assets of £210.5m (2019: £286.6m). The decrease in net assets is primarily due to the payment of a £60.0m dividend and the investment impairment of £28.0m.

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 2020 the directors, having regard to the financial performance and position of the company, and ability to continue to meet the expectations of its key stakeholders, made a principal decision to pay a dividend to its parent company MTL Services Limited. The directors considered the business implications and reserves and determined that the payment of the dividend would leave the company with sufficient resources and would not impact the company's long-term success.

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 Social Responsibility team has oversight of the strategic commitments for social responsibility, which forms part of the Arriva group's wider business strategy.

Within its individual business functions, Arriva encourages staff to volunteer for charities and projects in the local community. During the financial year ended 31 December 2020, due to the COVID-19 pandemic, it was difficult for employees to undertake volunteering activities but in previous years volunteering activities have included supporting local schools with career advice, as well as various types of fundraising and other community projects. This work was undertaken in a manner that maximises the benefit that the company can be deliver to its communities. 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 2020 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 AG 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 26 April 2022 and signed on behalf of the board.

A Furlong
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £16,067,000 *(2019 - profit £71,268,000).*

The company declared and paid a dividend of £60,000,000 (2019: £NIL).

DIRECTORS

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

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

Deutsche Bahn AG is the principal source of funding for Arriva plc and its subsidiaries. The Arriva group's financial risks, including liquidity risks and those arising from interest rates, commodity prices and currency fluctuations are managed in accordance with the Deutsche Bahn AG treasury policy. For further details relating to financial risk management please refer to the Deutsche Bahn AG 2020 Integrated Report.

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 financial year ended 31 December 2020 was an unprecedented year, not only for the company but for the transport sector as a whole as a result of the COVID-19 pandemic. The safety and wellbeing of employees has been of the utmost importance to the company and has been a key focus area throughout the pandemic. In order to maintain a COVID-19 secure environment, risk assessments were undertaken in all areas of the business and COVID-19 measures were put in place in accordance with the Government guidelines. Measures included workspaces being made 'COVID safe', where appropriate remote working was introduced, and the number of employee and management briefings was increased.

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.

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

The 'Lift Off for Leadership' programme is for individuals who are still in the early stages of their career and 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 2020

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 financial statements 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 financial statements comply with the Companies Act 2006.

DIRECTORS' CONFIRMATIONS

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

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

This report was approved by the board on 26 April 2022 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income 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 were unable to continue as a going concern.

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

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

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board meeting minutes;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular, any journal entries posted with unusual account combinations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, including impairment of investments; and
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
27 April 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	*2019* *£000*
Administrative expenses		**(50,236)**	*(47,066)*
Other operating income		**42,581**	*42,580*
Operating loss	4	**(7,655)**	*(4,486)*
Income from shares in group undertakings		**18,000**	*75,000*
Impairment of investments	14	**(28,000)**	*-*
Interest receivable and similar income	8	**221**	*77*
Interest payable and similar charges	9	**(79)**	*(234)*
(Loss) / profit before taxation		**(17,513)**	*70,357*
Tax on (loss) / profit	10	**1,446**	*911*
(Loss)/profit for the financial year		**(16,067)**	*71,268*
Total comprehensive (expense) / income for the financial year		**(16,067)**	*71,268*

The notes on pages 15 to 33 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note		2020 £000		*2019 £000*
Fixed assets					
Intangible assets	12		**2,598**		*3,773*
Tangible assets	13		**4**		*9*
Investments	14		**151,229**		*179,229*
			153,831		*183,011*
Current assets					
Debtors: Amounts falling due after more than one year	15	**4,693**		*3,245*	
Debtors: Amounts falling due within one year	15	**79,361**		*131,757*	
		84,054		*135,002*	
Creditors: Amounts falling due within one year	16	**(24,709)**		*(28,183)*	
Net current assets			**59,345**		*106,819*
Total assets less current liabilities			**213,176**		*289,830*
Creditors: Amounts falling due after more than one year	17		**(2,662)**		*(3,249)*
Net assets			**210,514**		*286,581*
Capital and reserves					
Called up share capital	19		**22,500**		*22,500*
Share premium account			**93,000**		*93,000*
Profit and loss account			**95,014**		*171,081*
Total shareholders' funds			**210,514**		*286,581*

The financial statements on pages 12 to 33 were approved and authorised for issue by the board and were signed on its behalf on 26 April 2022.

A Furlong
Director

The notes on pages 15 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 DECEMBER 2020

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000
At 1 January 2019	**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**
Comprehensive expense for the year				
Loss for the financial year	-	-	(16,067)	(16,067)
Total comprehensive expense for the year	-	-	(16,067)	(16,067)
Dividends paid (Note 11)	-	-	(60,000)	(60,000)
At 31 December 2020	**22,500**	**93,000**	**95,014**	**210,514**

The notes on pages 15 to 33 form part of these financial statements.

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.

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.

There were no amendments to accounting standards, or IFRIC IC interpretations that are effective for the year ended 31 December 2020 that have had a material impact on the company's financial statements.

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)

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (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 assets 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. 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.

1.8 DIVIDENDS PAYABLE

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1. ACCOUNTING POLICIES (CONTINUED)

1.9 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- 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, but makes amendments where necessary in order to comply with the Companies Act 2006.

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

1. ACCOUNTING POLICIES (CONTINUED)

1.10 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.

1.11 DIVIDENDS RECEIVABLE

Dividends are recognised in the company's financial statements within income from shares in group undertakings in the period in which the dividends are received from subsidiaries.

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.

1.13 SHARES AND SHARE PREMIUM

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

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

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:

<u>Impairment of investments</u>
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.

As at 31 December 2020, the directors assessed that there were indications of impairment in the carrying value of the investment in Grand Central Railway Company Limited, resulting in recognition of an impairment charge of £28,000,000. The carrying value of the investment was assessed based on the directors' best estimate of the discounted present value of Grand Central Railway Company Limited's free cash flows over 2021-2027, as aligned to the life of their current track access arrangements with Network Rail. The directors' estimates of the company's expected future revenues and free cash flows over that period are highly sensitive to changes in assumptions of passenger numbers, and to what extent and over what period they will return to pre-pandemic levels.

The assessment of the carrying value of the investment was based on the life of the current track access arrangements with Network Rail, however had this been based on a terminal value into perpetuity the impairment charge would have been £NIL as there is no certainty of the access arrangements being extended beyond the current agreed period.

See Note 14 for the carrying value of investments and details of impairment losses recognised in the year.

<u>Impairment of debtors</u>
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 15 for the carrying amount of debtors.

3. GENERAL INFORMATION

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

The registered company number is 03166214 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:

	2020 £000	2019 £000
Depreciation of tangible fixed assets	**5**	*7*
Amortisation of intangible assets	**1,198**	*1,079*
Staff costs (Note 6)	**6,976**	*9,191*

5. AUDITORS' REMUNERATION

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

	2020 £000	2019 £000
Fees for the audit of the company	**30**	*12*

6. STAFF COSTS

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

	2020 £000	2019 £000
Wages and salaries	5,926	7,851
Social security costs	692	943
Other pension costs (Note 20)	358	397
	6,976	9,191

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

	2020 No.	2019 No.
Administration	107	112

7. DIRECTORS' EMOLUMENTS

	2020 £000	2019 £000
Aggregate emoluments	**420**	*757*
Company contributions to defined benefit pension schemes	**40**	*59*
	460	*816*

During the year retirement benefits were accruing to 2 directors *(2019 - 3)* in respect of defined benefit pension schemes.

The highest paid director received remuneration of £233,000 *(2019 - £324,000)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £21,000 *(2019 - £21,000)*.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £000	2019 £000
Interest receivable from group undertakings	**221**	*77*
	221	*77*

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £000	2019 £000
Interest payable to group undertakings	**-**	*143*
Interest on lease liabilities	**79**	*91*
	79	*234*

10. TAX ON (LOSS) / PROFIT

	2020 £000	2019 £000
Corporation tax		
Current tax on (loss) / profits for the year	(1,482)	(883)
Adjustments in respect of prior years	(122)	(287)
Total current tax credit	(1,604)	(1,170)
Deferred tax		
Origination and reversal of timing differences	49	2
Adjustments in respect of prior years	109	257
Total deferred tax charge (Note 18)	158	259
Total tax credit for the financial year	(1,446)	(911)

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

	2020 £000	2019 £000
(Loss) / profit before tax	(17,513)	70,357
(Loss) / profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2019 : 19%)	(3,327)	13,368
Effects of:		
Non tax-deductible impairment of fixed asset investments	5,320	-
Adjustments in respect of prior years	(13)	(30)
Non-taxable dividend income received from UK companies	(3,420)	(14,250)
Impact of rate change on deferred tax	(6)	1
Total tax credit for the year	(1,446)	(911)

10. TAX ON (LOSS) / PROFIT (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £10,000, to increase the deferred tax asset by the same amount.

11. DIVIDENDS PAID

	2020 **£000**	*2019* *£000*
Dividends paid on ordinary shares	**60,000**	-
	60,000	-

12. INTANGIBLE ASSETS

	Intangibles **£000**
COST	
At 1 January 2020	**5,954**
Additions	**23**
At 31 December 2020	**5,977**
ACCUMULATED AMORTISATION	
At 1 January 2020	**2,181**
Charge for the year	**1,198**
At 31 December 2020	**3,379**
NET BOOK VALUE	
At 31 December 2020	**2,598**
At 31 December 2019	*3,773*

12. INTANGIBLE ASSETS (CONTINUED)

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

13. TANGIBLE ASSETS

	Motor vehicles £000
COST	
At 1 January 2020	**16**
At 31 December 2020	**16**
ACCUMULATED DEPRECIATION	
At 1 January 2020	**7**
Charge for the year	**5**
At 31 December 2020	**12**
NET BOOK VALUE	
At 31 December 2020	**4**
At 31 December 2019	*9*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14. INVESTMENTS

	Investments in subsidiary companies £000
COST OR VALUATION	
At 1 January 2020	**190,623**
At 31 December 2020	**190,623**
IMPAIRMENT	
At 1 January 2020	**11,394**
Charge for the period	**28,000**
At 31 December 2020	**39,394**
NET BOOK VALUE	
At 31 December 2020	**151,229**
At 31 December 2019	*179,229*

During the year, the value of the company's investment in Grand Central Railway Company Limited was impaired by £28,000,000 (see note 2 for details).

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

14. 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	14.1	Ordinary	100
At Seat Catering (2003) Limited	14.1	Ordinary	100
XC Trains Limited	14.1	Ordinary	100
London and North Western Railway Company Limited	14.1	Ordinary	100
Arriva Rail East Midlands Limited	14.1	Ordinary	100
Arriva Rail North Limited	14.1	Ordinary	100
Alliance Rail Holdings Limited	14.1	Ordinary	100
Grand Central Railway Company Limited	14.1	Ordinary	100
Arriva Trains Holdings Limited	14.1	Ordinary	100
Arriva South Eastern Rail Limited	14.1	Ordinary	100
Great North Western Railway Company Limited	14.1	Ordinary	100
Arriva Rail London Limited	14.1	Ordinary	100
M40 Trains Limited	14.1	Ordinary (indirectly held)	100
DB Regio Tyne and Wear Limited	14.1	Ordinary (indirectly held)	100
The Chiltern Railway Company Limited	14.1	Ordinary (indirectly held)	100
Arriva Rail XC Limited	14.1	Ordinary	100
WSMR (Holdings) Limited	14.1	Ordinary (indirectly held)	50
London Overground Rail Operations Limited	14.2	Ordinary (indirectly held)	50
Wrexham Shropshire & Marleybone Railway Company Limited	14.1	Ordinary (indirectly held)	50

List of registered offices:

14.1 1 Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP
14.2 Overground House 125 Finchley Road, Swiss Cottage, London, NW3 6HY

15. DEBTORS

	2020 £000	2019 £000
Amounts falling due after more than one year		
Lease receivable owed by group undertakings	**3,193**	*3,245*
Other debtors	**1,500**	*-*
	4,693	*3,245*

Included within lease receivable owed by group undertakings is £NIL due greater than 5 years (2019: £250,000).

Amounts falling due within one year

	2020 £000	2019 £000
Trade debtors	**4,001**	*6,146*
Amounts owed by group undertakings	**70,735**	*111,094*
Other debtors	**-**	*2,890*
Prepayments and accrued income	**2,929**	*8,908*
Lease receivable owed by group undertakings	**52**	*1,646*
Group relief receivable	**1,612**	*883*
Deferred tax asset (Note 18)	**32**	*190*
	79,361	*131,757*

Included within prepayments and accrued income is £2,319,000 (2019: £3,435,000) relating to contract assets under IFRS 15. Included within amounts owed by group undertakings is £NIL (2019: £2,670,000) relating to contract assets under IFRS 15. All amounts owed by group undertakings are unsecured and repayable on demand.

16. CREDITORS: Amounts falling due within one year

	2020 £000	2019 £000
Lease liabilities	**587**	*579*
Trade creditors	**1,763**	*1,995*
Amounts owed to group undertakings	**1,002**	*10,080*
Other creditors	**1,176**	-
Accruals and deferred income	**20,181**	*15,529*
	24,709	*28,183*

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

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

	2020 £000	2019 £000
Lease liabilities	**2,662**	*3,249*
	2,662	*3,249*

18. DEFERRED TAX ASSET

	2020 £000	2019 £000
At 1 January	**190**	*449*
Charged to profit for the financial year (Note 10)	**(158)**	*(259)*
At 31 December	**32**	*190*

18. DEFERRED TAX ASSET (CONTINUED)

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Excess of depreciation on fixed assets over capital allowances claimed	32	36
Other short term timing differences	-	154
	32	190

19. CALLED UP SHARE CAPITAL

	2020 £	2019 £
Authorised		
25,000,000 Ordinary shares of £1 each (2019: 25,000,000)	25,000,000	25,000,000
Allotted, called up and fully paid		
22,500,003 Ordinary shares of £1 each (2019: 22,500,003)	22,500,003	22,500,003

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

20. PENSION COMMITMENTS

At 31 December 2020 the UK intermediate parent company, Arriva plc, operate a defined benefit pension scheme to certain employees within Arriva UK Trains Limited. The scheme is financed through separate trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

Contributions to the defined benefit scheme, the Arriva Passenger Services National Pension Scheme, are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 5 April 2018, using the Projected Unit Method.

The pensions charge for the year represents contributions payable by the company and amounted to £358,000 (2019: £397,000).

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

The company makes contributions to a defined benefit scheme, The Arriva Passenger Services National Pension Scheme, which is operated by the UK intermediate parent company, Arriva plc. Other companies within the Arriva Group make contributions to the Plan, therefore it is not possible for the company to identify its share of the underlying assets and liabilities as at 31 December 2020. 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.

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 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.