

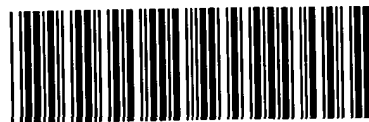
Registered number: 155374

ARRIVA CYMRU LIMITED

Annual report and financial statements

For the Year Ended 31 December 2019

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ARRIVA CYMRU LIMITED

Company Information

Directors	P Cummins R J Hoare M J Morton T C Edwards J I Thompson
Registered number	155374
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 CYMRU LIMITED

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ARRIVA CYMRU LIMITED

Strategic report For the Year Ended 31 December 2019

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

PRINCIPAL ACTIVITIES

The principal activity of the company during the financial year was the operation of bus and coach services.

REVIEW OF BUSINESS

The company's statement of comprehensive income on page 12 shows a profit before taxation of £1.0m (2018: £1.8m). The decrease in profit before tax is primarily due to an increase in maintenance and staff costs together with increases in depreciation costs following capital expenditure in relation to fleet.

As at the balance sheet date the company had net assets of £15.4m (2018: £14.6m). The increase in net assets is largely due to the profit generated during the year. The directors consider the state of the company's affairs to be satisfactory.

Following the year end, and consistent with other public transport operators, the company has experienced a significant fall in demand for its services since March 2020 as a result of the coronavirus (Covid-19) pandemic. In response, the company implemented a significant reduction in services from March 2020 to mitigate the financial impact of reduced passenger numbers.

In July 2020, Transport for Wales ('TfW') announced a financial support package to bus operators in Wales, including the company, through the Bus Emergency Scheme ('BES'). TfW funding for the first iteration of this scheme 'BES 1.5', was due to remain in place only up to 31 October 2020. The company obtained BES 1.5 funding to support ongoing operations and an increase up to pre-pandemic service levels from September 2020. The company has also responded to information request from TfW to secure additional BES funding ('BES 2') for November 2020 and expects to make further claims. The terms of BES 2 funding have been agreed with TfW and the company expects such funding to remain available through 2021 in response to the continued impact of the pandemic on trading conditions.

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 most significant risks and uncertainties affecting the company are related to the impact of the Covid-19 pandemic on future demand for the company's services and on the continuation of associated financial support from national and local transport bodies. Further discussion of these risks and uncertainties in the context of the Arriva group as a whole, is provided in the annual report of the UK intermediate parent company, Arriva plc, which does not form part of this report.

FUTURE DEVELOPMENTS

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

The company has been working with local authorities to increase services closer to pre-pandemic service levels, to ensure a reduced risk of overcrowding following the reopening of major sectors of the economy. The company will seek to maintain its services at or close to pre-pandemic levels, supported by continued use of available BES funding.

Strategic report (continued)
For the Year Ended 31 December 2019

FUTURE DEVELOPMENTS (continued)Liquidity and funding risk

The company voluntarily participates in a group cash and credit facility pooling arrangement operated by its ultimate parent, Deutsche Bahn AG ('DB'). This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies, and the company has been party to this arrangement for several years. The company utilises a DB credit facility under this arrangement, which the directors expect will continue to be utilised over the going concern assessment period to meet the company's operational requirements. Under the arrangement substantially all the company's cash and utilised credit facility balances are swept into the group cash pool at the end of each business day.

The company had net current liabilities of £3,097,000 at 31 December 2019, and is currently dependent on the DB credit facility for daily access to the cash flows required to operate and to support the going concern assertion. As this facility is not formally committed for a specific period of time, and therefore could be withdrawn during the period of 12 months from the date of approval of the financial statements, the directors acknowledge that this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. 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 and available facility balances within the group cash pool to settle its liabilities as they fall due.

Trading risk

In completing their going concern assessment, the directors have also 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, including the continued use of the Bus Emergency Scheme (BES) funding to mitigate those impacts on the company's cash and DB credit facility position. This includes consideration of the risk, which the directors believe to be remote, of potential amendments to calculation methodology within the BES, which is at the discretion of the TfW, that could result in the need to repay funds received under the BES to date.

The directors are confident that the company will remain within its credit facility limit over the assessment period if pandemic response measures impacting use of public transportation were to persist for longer than anticipated, as the directors expect that any withdrawal of government funding (including BES) would also be delayed. If, for any reason, current planned actions were insufficient in ensuring the company remains within its current DB credit facility limit during the assessment period, additional management actions might need to be implemented, which may include, reducing services, delaying or curtailing discretionary expenditures and capital expenditure. If these actions are insufficient to allow cash requirements to be funded from within the current facility then additional funding might be required from DB. As there is no guarantee that BES or equivalent government funding, received to date or in the future, will remain in place or a formal commitment will be in place for the DB credit facility, this also indicates the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Outcome of directors' going concern assessment

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 credit facility balances with DB and that management actions over the assessment period will be sufficient to remain within its credit facility limit, such that adequate financing will remain in place and that the company will continue to operate for the foreseeable future.

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

**Strategic report (continued)
For the Year Ended 31 December 2019**

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:

- Deutsche Bahn AG;
- Arriva UK Bus Investments Limited;
- Suppliers;
- The Department for Transport;
- Transport for Wales;
- Local Transport Authorities; and
- Local communities in which the company is based.

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

The directors of the company promote good governance, which is key to driving the success of the company. The directors also 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.

During the financial year ended 31 December 2019, the company engaged, and continues to engage, with customers and customer groups to ensure a positive customer experience (including for passengers and the relevant local authorities in the area in which the company operates).

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

The directors of the company aim to meet at least once in each financial year to discuss the matters that cannot be delegated under the Companies Act 2006.

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 Bus Leadership team. Any major matters of interest are then communicated to the Arriva Management Board (the "AMB"), a subcommittee of the board of Arriva plc. The membership of the AMB includes the Managing Director of the UK Bus division.

The 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 for the Arriva group, which forms part of the wider business strategy for the Arriva group.

During the financial year ended 31 December 2019, initiatives for the Arriva group across the UK including supporting food banks, supporting homeless charities and partaking in appeals for local children's charities. Initiatives for Arriva's UK Bus division included supporting the Royal British Legion, MIND and local food banks across our network.

ARRIVA CYMRU LIMITED

Strategic report (continued)
For the Year Ended 31 December 2019

SECTION 172 STATEMENT (continued)

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.

Further information on engagement with customers during the financial year ended 31 December 2019 is provided in the 'Engagement with suppliers, customers and others' section of the Directors' report.

KEY PERFORMANCE INDICATORS

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

This report was approved by the board on 12 April 2021 and signed on behalf of the board.



J I Thompson
Director

ARRIVA CYMRU LIMITED

Directors' report For the Year Ended 31 December 2019

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £773,000 2018: £1,469,000).

The company did not pay a dividend during the year (2018: £4,000,000).

DIRECTORS

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

A Ashcroft (appointed 11 October 2019, resigned 1 April 2020)
P Cummins
M A Thornley (appointed 1 April 2020, resigned 30 June 2020)
R J Hoare (appointed 1 June 2020)
M J Morton
P M Stone (resigned 31 March 2021)
T C Edwards
J I Thompson

FINANCIAL RISK MANAGEMENT AND OBJECTIVES

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.

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 Arriva 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.

ARRIVA CYMRU LIMITED

Directors' report For the Year Ended 31 December 2019

EMPLOYEE ENGAGEMENT (continued)

The company has, 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 the Arriva group.

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.

ARRIVA CYMRU LIMITED

Directors' report For the Year Ended 31 December 2019

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

The company's long-term success is dependent on fostering strong and effective business relationships with key stakeholders. The company's key stakeholders include, but are not limited to:

- Deutsche Bahn AG;
- Arriva UK Bus Investments Limited;
- Suppliers;
- The Department for Transport;
- Transport for Wales;
- Local Transport Authorities; and
- Local communities in which the company is based.

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

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

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

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

Further information on how the directors have fostered relationships with suppliers and the local communities in which the company operates is detailed in the Section 172 statement in the Strategic Report. Further information on how the company has fostered relationships with its employees during the financial year ended 31 December 2019 is provided in the Employee Engagement section of this report.

MATTERS COVERED IN THE STRATEGIC REPORT

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

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

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 12 April 2021 and signed by order of the board.



J I Thompson
Director

Independent auditors' report to the members of Arriva Cymru Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arriva Cymru 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 reliant on the continued funding from its ultimate parent undertaking, Deutsche Bahn AG (DB) in the form of a credit facility. The credit facility with DB is not committed for a specific period of time, therefore, it could be withdrawn during the period of 12 months from the date of approval of the financial statements, which may result in the company not being able to continue to meet its operational funding requirements. In addition, in a severe but plausible downside scenario, if pandemic response measures impacting use of public transportation were to persist for longer than anticipated, the directors expect that any withdrawal of government funding (including Bus Emergency Scheme (BES)) would also be delayed and if required the company would be able to agree an increase to its credit facility limit with DB. However, there is no guarantee that BES or equivalent government funding, received to date or in the future, will remain in place in its current form and there is no formal commitment in place for the DB credit facility. These conditions, along with the other matters explained in note 1.1 to the financial statements, 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 include the adjustments that would result if the company was unable to continue as a going concern.

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.

ARRIVA CYMRU LIMITED

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

Reporting on other information (continued)

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.

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.

ARRIVA CYMRU LIMITED

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

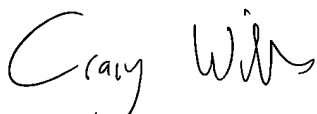
Other required reporting

Companies Act 2006 exception reporting

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

- we have not 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.



Craig Willis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
12 April 2021

ARRIVA CYMRU LIMITED

Statement of comprehensive income For the Year Ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	28,678	28,949
Cost of sales		(23,312)	(22,852)
Gross profit		5,366	6,097
Administrative expenses		(4,459)	(4,299)
Other operating income	5	177	118
Operating profit	6	1,084	1,916
Interest payable and similar charges	9	(109)	(81)
Profit before tax		975	1,835
Tax on profit	10	(202)	(366)
Profit for the financial year		773	1,469
Other comprehensive income / (expenses):			
Items that may be reclassified to profit or loss:			
Changes in market value of cash flow hedges		99	(211)
Deferred tax attributable to changes in market value of cash flow hedges	20	(17)	36
		82	(175)
Total comprehensive income for the financial year		855	1,294

The notes on pages 16 to 40 form part of these financial statements.

ARRIVA CYMRU LIMITED
Registered number:155374

Balance sheet
As at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Goodwill	12	386	386
Intangible assets	13	-	-
Tangible assets	14	19,234	20,758
		<u>19,620</u>	<u>21,144</u>
Current assets			
Stocks	15	260	210
Debtors: Amounts due more than one year	16	66	176
Debtors: Amounts due within one year	16	3,456	3,507
Cash at bank and in hand		157	3
		<u>3,939</u>	<u>3,896</u>
Creditors: Amounts due within one year	17	(7,036)	(9,345)
Net current liabilities		<u>(3,097)</u>	<u>(5,449)</u>
Total assets less current liabilities		<u>16,523</u>	<u>15,695</u>
Creditors: Amounts due more than one year	18	(101)	(152)
Provisions for liabilities			
Deferred taxation	20	(1,014)	(990)
		<u>(1,014)</u>	<u>(990)</u>
Net assets		<u>15,408</u>	<u>14,553</u>
Capital and reserves			
Called up share capital	21	1,400	1,400
Share premium account		5,000	5,000
Revaluation reserve		15	15
Cash flow hedge reserves		89	7
Profit and loss account		8,904	8,131
Total shareholders' funds		<u>15,408</u>	<u>14,553</u>

The financial statements on pages 12 to 40 were approved and authorised for issue by the board and were signed on its behalf on 12 April 2021.



J I Thompson
Director

The notes on pages 16 to 40 form part of these financial statements.

ARRIVA CYMRU LIMITED

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

	Called up share capital	Share premium account	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000	£000
At 1 January 2019	1,400	5,000	15	7	8,131	14,553
Comprehensive income for the year						
Profit for the financial year	-	-	-	-	773	773
Changes in market value of cash flow hedges	-	-	-	99	-	99
Deferred tax attributable to changes in market value of cash flow hedges	-	-	-	(17)	-	(17)
Other comprehensive income for the year	-	-	-	82	-	82
Total comprehensive income for the year	-	-	-	82	773	855
At 31 December 2019	1,400	5,000	15	89	8,904	15,408

The notes on pages 16 to 40 form part of these financial statements.

ARRIVA CYMRU LIMITED

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

	Called up share capital	Share premium account	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000	£000
At 1 January 2018	1,400	5,000	15	182	10,662	17,259
Comprehensive income for the year						
Profit for the financial year	-	-	-	-	1,469	1,469
Changes in market value of cash flow hedges	-	-	-	(211)	-	(211)
Deferred tax attributable to changes in market value of cash flow hedges	-	-	-	36	-	36
Other comprehensive expense for the year	-	-	-	(175)	-	(175)
Total comprehensive (expense) / income for the year	-	-	-	(175)	1,469	1,294
Dividends paid (Note 11)	-	-	-	-	(4,000)	(4,000)
At 31 December 2018	1,400	5,000	15	7	8,131	14,553

The notes on pages 16 to 40 form part of these financial statements.

ARRIVA CYMRU LIMITED

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, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through cash flow hedge reserves, 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 25). There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

GOING CONCERN

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

The company has been working with local authorities to increase services closer to pre-pandemic service levels, to ensure a reduced risk of overcrowding following the reopening of major sectors of the economy. The company will seek to maintain its services at or close to pre-pandemic levels, supported by continued use of available BES funding.

Liquidity and funding risk

The company voluntarily participates in a group cash and credit facility pooling arrangement operated by its ultimate parent, Deutsche Bahn AG ('DB'). This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies, and the company has been party to this arrangement for several years. The company utilises a DB credit facility under this arrangement, which the directors expect will continue to be utilised over the going concern assessment period to meet the company's operational requirements. Under the arrangement substantially all the company's cash and utilised credit facility balances are swept into the group cash pool at the end of each business day.

The company had net current liabilities of £3,097,000 at 31 December 2019, and is currently dependent on the DB credit facility for daily access to the cash flows required to operate and to support the going concern assertion. As this facility is not formally committed for a specific period of time, and therefore could be withdrawn during the period of 12 months from the date of approval of the financial statements, the directors acknowledge that this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. 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 and available facility balances within the group cash pool to settle its liabilities as they fall due.

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

**1. ACCOUNTING POLICIES
(CONTINUED)****GOING CONCERN (continued)**Trading risk

In completing their going concern assessment, the directors have also 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, including the continued use of the Bus Emergency Scheme (BES) funding to mitigate those impacts on the company's cash and DB credit facility position. This includes consideration of the risk, which the directors believe to be remote, of potential amendments to calculation methodology within the BES, which is at the discretion of the TfW, that could result in the need to repay funds received under the BES to date.

The directors are confident that the company will remain within its credit facility limit over the assessment period if pandemic response measures impacting use of public transportation were to persist for longer than anticipated, as the directors expect that any withdrawal of government funding (including BES) would also be delayed. If, for any reason, current planned actions were insufficient in ensuring the company remains within its current DB credit facility limit during the assessment period, additional management actions might need to be implemented, which may include, reducing services, delaying or curtailing discretionary expenditures and capital expenditure. If these actions are insufficient to allow cash requirements to be funded from within the current facility then additional funding might be required from DB. As there is no guarantee that BES or equivalent government funding, received to date or in the future, will remain in place or a formal commitment will be in place for the DB credit facility, this also indicates the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Outcome of directors' going concern assessment

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 credit facility balances with DB and that management actions over the assessment period will be sufficient to remain within its credit facility limit, such that adequate financing will remain in place and that the company will continue to operate for the foreseeable future.

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

1.2 TURNOVER

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

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

**1. ACCOUNTING POLICIES
(CONTINUED)****1.3 INTANGIBLE ASSETS**

Intangible assets, other than goodwill, relate to licences for the use of the Arriva brand name, they are being amortised through the statement of comprehensive income over a period of 15 years. Amortisation charges are included within administration expenses in the statement of comprehensive income.

1.4 GOODWILL

Goodwill represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, at the acquisition date.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the business combination acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date, if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to the statement of comprehensive income. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has been quantified and disclosed within the notes to the accounts.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

**1. ACCOUNTING POLICIES
(CONTINUED)**

1.5 TANGIBLE ASSETS

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

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:

Freehold property	-	2% straight line
Plant, machinery, fixtures and motor vehicles	-	10% to 48% straight line
Public service vehicles	-	straight line over periods up to 15 years
Right-of-use assets	-	over the term of the lease

Freehold land is not depreciated.

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

1. ACCOUNTING POLICIES
(CONTINUED)

1.6 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.

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.

1.7 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

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

**1. ACCOUNTING POLICIES
(CONTINUED)**

1.8 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.

1.9 CASH

Cash balances comprise cash in hand and all bank balances and are stated in the balance sheet at fair value. The company does not hold any cash equivalents.

1.10 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

**1. ACCOUNTING POLICIES
(CONTINUED)****1.11 PENSIONS**

During the year Arriva plc, the intermediate UK parent company, operated both a defined benefit pension scheme and a contract based pension scheme, which covered 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 under all schemes are charged to the statement of comprehensive income as they arise.

1.12 GOVERNMENT GRANTS

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

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

1.13 DIVIDENDS

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

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

**1. ACCOUNTING POLICIES
(CONTINUED)**

1.14 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

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

The company is a qualifying entity for the purpose of FRS 101 and Note 24 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

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

The company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements, the most significant of which are summarised above.

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

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

**1. ACCOUNTING POLICIES
(CONTINUED)**

1.15 CURRENT AND DEFERRED TAXATION

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary timing differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Deferred tax assets and liabilities are not discounted.

1.16 CAPITAL GRANTS

Capital grants are credited to deferred grant income on the balance sheet and released to the statement of comprehensive income over the estimated useful economic lives of the related assets.

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

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

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

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

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

The judgments made in applying the company's accounting policies that had the most significant effect on the financial statements also involved estimations, and are outlined below.

2.1 Critical judgements in applying accounting policies

The following is a critical judgement that has been made in the process of applying the company's accounting policies, apart from those involving estimations, that had the most significant effect on the financial statements.

Accounting for contributions to multi-employer defined benefit pension schemes

Certain of the company's employees are members of group multi-employer defined benefit pension schemes and the company pays contributions to those schemes in respect of those employees.

As the company is unable to identify its share of the assets and liabilities of the group defined benefit schemes, it accounts for contributions payable as if they were to a defined contribution pension scheme, with the amounts payable charged to the statement of comprehensive, as outlined in Note 1.11.

2.2 Critical assumptions and key sources of estimation uncertainty

The following is the critical judgement that has been made in the process of applying the company's accounting policies, apart from those involving estimations, that had the most significant effect on the financial statements.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 14 for the carrying amount of the tangible assets and Note 1.5 for the useful economic lives for each class of assets.

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 16 for the carrying amount of debtors.

ARRIVA CYMRU LIMITED

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

3. GENERAL INFORMATION

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

The registered company number is 155374 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

4. ANALYSIS OF TURNOVER

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

All turnover arose within the United Kingdom.

ARRIVA CYMRU LIMITED

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

5. OTHER OPERATING INCOME

	2019 £000	2018 £000
Government grants receivable	114	-
Other income	63	118
	<u>177</u>	<u>118</u>

6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2019 £000	2018 £000
Depreciation of tangible assets	2,249	2,246
Loss on sale of tangible assets	26	-
Amortisation of intangible assets, other than goodwill	-	82
Cost of stocks recognised as an expense	6,059	6,491
Lease expenses*		
- short-term lease expenses	12	-
- other lease expenses	-	109
	<u></u>	<u></u>

During the year, no director received any emoluments (2018 - £NIL).

* There are no comparative expenses related to short-term leases in accordance with IFRS 16. Other lease expenses in the year ended 31 December 2018 represent the total lease expense recognised in accordance with IAS 17. See Note 25 for the impact of adoption of IFRS 16.

7. AUDITORS' REMUNERATION

Fees payable to the company's auditors in respect of the audit of the financial statements and for other services provided to the company:

	2019 £000	2018 £000
Fees for the audit of the company	13	10
	<u>13</u>	<u>10</u>

ARRIVA CYMRU LIMITED

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

8. STAFF COSTS

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	13,583	13,772
Social security costs	1,227	1,216
Other pension costs (Note 22)	1,454	921
	<u>16,264</u>	<u>15,909</u>

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

	2019 No.	2018 No.
Drivers	447	456
Engineering	54	52
Administrative	23	28
	<u>524</u>	<u>536</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £000	2018 £000
Interest on lease liabilities	1	-
Interest payable to group undertakings	108	81
	<u>109</u>	<u>81</u>

ARRIVA CYMRU LIMITED

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

10. TAX ON PROFIT

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	147	345
Adjustments in respect of prior years	48	2
Total current tax charge	195	347
Deferred tax		
Origination and reversal of timing differences	39	23
Adjustments in respect of prior years	(32)	(4)
Total deferred tax charge (Note 20)	7	19
Total taxation charge on profit	202	366

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19.0% (2018 - 19.0%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	975	1,835
Profit multiplied by standard rate of corporation tax in the UK of 19.0% (2018 - 19.0%)	185	349
Effects of:		
Non-tax deductible amortisation of intangible fixed assets	-	16
Adjustments to tax charge in respect of prior years	16	(2)
Depreciation in respect of ineligible assets	6	6
Impact of rate change on deferred tax	(5)	(3)
Total tax charge for the year	202	366

ARRIVA CYMRU LIMITED

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

10. TAX ON PROFIT (CONTINUED)**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. DIVIDENDS

	2019 £000	2018 £000
Dividends paid on ordinary shares	-	4,000
	<u>-</u>	<u>4,000</u>

12. GOODWILL

	2019 £000
Cost	
At 1 January 2019	1,359
At 31 December 2019	<u>1,359</u>
Accumulated amortisation	
At 1 January 2019	973
At 31 December 2019	<u>973</u>
Net book value	
At 31 December 2019	<u>386</u>
<i>At 31 December 2018</i>	<u>386</u>

Goodwill amortisation is not permitted under FRS 101 however this is a departure from the requirements of the Companies Act 2006. The directors believe that the non-amortisation of goodwill represents a true and fair view therefore the departure from the Companies Act 2006 is appropriate. Amortisation of £87,000 would have been charged during the year under the Companies Act 2006.

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

13. INTANGIBLE ASSETS

	Licences £000
Cost	
At 1 January 2019	<u>1,300</u>
At 31 December 2019	<u>1,300</u>
Accumulated amortisation	
At 1 January 2019	<u>1,300</u>
At 31 December 2019	<u>1,300</u>
Net book value	
At 31 December 2019 and 31 December 2018	<u><u>-</u></u>

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

14. TANGIBLE ASSETS

	Freehold property £000	Leasehold Property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
COST OR VALUATION					
At 31 December 2018	4,950	-	1,326	24,444	30,720
Adoption of IFRS 16 (Note 25)	-	46	8	-	54
At 1 January 2019 (adjusted balance)	4,950	46	1,334	24,444	30,774
Additions	101	-	559	233	893
Disposals	-	-	(438)	(303)	(741)
At 31 December 2019	5,051	46	1,455	24,374	30,926
DEPRECIATION					
At 1 January 2019	152	-	928	8,882	9,962
Charge for the year	118	16	169	1,946	2,249
Disposals	-	-	(412)	(107)	(519)
At 31 December 2019	270	16	685	10,721	11,692
NET BOOK VALUE					
At 31 December 2019	4,781	30	770	13,653	19,234
At 31 December 2018	4,798	-	398	15,562	20,758

ARRIVA CYMRU LIMITED

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

14. TANGIBLE ASSETS (continued)

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

	Leasehold property	Plant, machinery, fixtures and motor vehicles	Total
	£000	£000	£000
Right-of-use assets			
Cost			
At January 2019 (on adoption)	46	8	54
At 31 December 2019	<u>46</u>	<u>8</u>	<u>54</u>
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	16	7	23
At 31 December 2019	<u>16</u>	<u>7</u>	<u>23</u>
Net book value			
At 31 December 2019	<u>30</u>	<u>1</u>	<u>31</u>

15. STOCKS

	2019 £000	2018 £000
Raw materials	260	210
	<u>260</u>	<u>210</u>

16. DEBTORS

	2019 £000	2018 £000
Amounts due more than one year		
Derivative financial instruments (Note 19)	66	176
	<u>66</u>	<u>176</u>

ARRIVA CYMRU LIMITED

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

16. DEBTORS (CONTINUED)

	2019 £000	2018 £000
Amounts due within one year		
Trade debtors	1,293	-
Amounts owed by group undertakings	992	1,887
Other debtors	244	344
Prepayments and accrued income	732	1,135
Derivative financial instruments (Note 19)	195	141
	<u>3,456</u>	<u>3,507</u>

17. CREDITORS: Amounts due within one year

	2019 £000	2018 £000
Lease liabilities	9	-
Amounts owed to group undertakings	5,799	8,154
Corporation tax	147	345
Accruals and deferred income	1,005	688
Derivative financial instruments (Note 19)	76	158
	<u>7,036</u>	<u>9,345</u>

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

18. CREDITORS: Amounts due more than one year

	2019	2018
	£000	£000
Lease liabilities	23	-
Derivative financial instruments (Note 19)	78	152
	101	152

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

The receipts/payments from energy derivatives are recognised in the income statement in the periods in which they fall due.

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

The inefficiencies of cash flow hedges of the energy price derivatives recognised in the statement of comprehensive income are £Nil (2018: £Nil).

The amounts recognised within the financial statements are as follows:

	2019	2018
	£000	£000
Debtors : Amounts due more than one year (Note 16)	66	176
Debtors : Amounts due within one year (Note 16)	195	141
Creditors : Amounts due within one year (Note 17)	(76)	(158)
Creditors : Amounts due more than one year (Note 18)	(78)	(152)
	107	7

ARRIVA CYMRU LIMITED

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

20. DEFERRED TAX LIABILITY

	2019 £000	2018 £000
At 1 January	990	1,007
Charged to profit for the financial year (Note 10)	7	19
Charged / (credited) to other comprehensive income	17	(36)
At 31 December	1,014	990

The deferred tax liability is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	996	989
Derivative financial instruments	18	1
	1,014	990

21. CALLED UP SHARE CAPITAL

	2019 £000	2018 £000
Authorised, allotted, called up and fully paid		
1,400,001 (2018: 1,400,001) Ordinary shares of £1 each	1,400	1,400

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

22. PENSION COMMITMENTS

At 31 December 2019 the UK intermediate parent company, Arriva plc, operated defined benefit pension schemes and a contract based pension scheme providing benefits to certain employees within Arriva Cymru Limited.

The defined benefit pension schemes are the Arriva Passenger Services Pension Plan and the Arriva Passenger Services National Pension Scheme, financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

The contract based pension scheme is the Arriva Workplace Pension Plan and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

Arriva Passenger Services Pension Plan

Contributions to the defined benefit scheme, the Arriva Passenger Services Pension Plan, are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 5 April 2017, using the Projected Unit Method.

Arriva Passenger Services National Pension Scheme

Contributions to 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 6 April 2016, using the Projected Unit Method.

IAS 19 'Employee Benefits' (revised 2011)

The company makes contributions to the defined benefit pension schemes which are operated by the UK intermediate parent company, Arriva plc. Other companies within the Arriva group make contributions to the schemes, 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 the statement of comprehensive income in the period in which they fall due.

The pension cost charge for the year represents contributions payable by the company to the pension schemes and amounted to £1,454,000 (2018: £921,000).

ARRIVA CYMRU LIMITED

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

23. COMMITMENTS UNDER OPERATING LEASES

Prior to the adoption of IFRS 16, the company had future minimum lease payments under non-cancellable operating leases at 31 December 2018 as follows:

	2019 £000	2018 £000
Land and buildings		
Not later than 1 year	-	23
Later than 1 year and not later than 5 years	-	32
Total land and building leases commitments	-	55
Other leases		
Not later than 1 year	-	7
Later than 1 year and not later than 5 years	-	1
Total other leases commitments	-	8

24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Arriva UK Bus Holdings Limited.

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

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

Transactions with other companies in the Deutsche Bahn 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.

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

25. 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 £54,000 of right-of-use assets and £54,000 of lease liabilities.

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	63
Recognition exemptions:	
- Short term leases	(12)
Effect from discounting	(2)
Additional lease commitments identified on transition to IFRS 16	5
	<hr/>
Lease liabilities and right-of-use assets as at 1 January 2019	54

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

26. POST BALANCE SHEET EVENT

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 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 has been working with local authorities to increase services closer to pre pandemic service levels, to ensure a reduced risk of overcrowding following the reopening of major sectors of the economy. The company will seek to maintain maintain its services at or close to pre pandemic levels, supported by continued use of available BES funding.

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 fixed assets, due to the impact of the pandemic on the company's 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.