

Registered number: 00237558

**ARRIVA NORTHUMBRIA LIMITED**

**Annual report and financial statements**

**For the Year Ended 31 December 2021**

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<b>ARRIVA NORTHUMBRIA LIMITED</b>
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**Company Information**

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<b>Directors</b>	N J Bradley K J Cain B W Scott
<b>Registered number</b>	00237558
<b>Registered office</b>	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

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**ARRIVA NORTHUMBRIA LIMITED**

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**Strategic report  
For the Year Ended 31 December 2021**

The directors present their Strategic report for the year ended 31 December 2021.

**PRINCIPAL ACTIVITIES**

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

**REVIEW OF BUSINESS**

The company's statement of comprehensive income on page 18 shows a loss before tax of £592,000 (2020: £158,000). The increased loss is primarily attributable to an increased management charge, and significant investment in health and safety within bus depots.

Like all Operators, the Business continues to be impacted from the effects of COVID-19. Whilst patronage is recovering, levels are still below the pre-COVID 2019 levels. This was mitigated to an extent by income support from the Department for Transport ('DfT') through the COVID-19 Bus Services Support Grant Restart ('CBSSG Restart') which ended in August 2021 and then utilising the Bus Recovery Grant (BRG) which was introduced following the cessation of CBSSG Restart. CBSSG Restart and BRG support is reflected in Other operating income in the statement of comprehensive income.

The company has obtained CBSSG Restart funding to support its ongoing operations since August 2020, and has also made use of the COVID-19 Bus Recovery Grant ('BRG').

At the balance sheet date the company has net assets of £13,095,000 (2020: £12,651,000). The increase in net assets reflects the impact of positive fair value movements on the company's derivatives in the year, partially offset by the loss for the year.

**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 as patronage growth recovers beyond the pandemic.

The company is working closely with local authorities to maintain appropriate service levels for customers, supported by BRG funding. BRG is effective from September 2021 through to June 2023 and replaced the previous CBSSG Restart funding scheme, which ended in August 2021. The company expects new funding post June 2023 via the Bus Service Improvement Plan Plus (BSIP+) through its local transport authority, in line with recent correspondence between the DfT and local transport authorities. BSIP+ will run for an initial period from July 2023 to April 2024, with a further period of funding from April 2024 to April 2025. Further funding is also expected to be provided to operators through a new mechanism that will sit alongside the current Bus Service Operators Grant, the DfT are currently working with operators to confirm the rates for this grant.

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**Strategic report (continued)**  
**For the Year Ended 31 December 2021**

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**FUTURE DEVELOPMENTS (CONTINUED)**Liquidity and funding risk

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 a party to this arrangement for several years. Under the arrangement substantially all the company's cash balance 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 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, which 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 issues 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.

Trading risk

In completing their going concern assessment, the directors have also considered a severe but plausible downside scenario, along with associated management actions that would be taken to mitigate the impacts under that scenario on the company's cash position. Actions management might need to implement include reducing services and delaying or curtailing discretionary operating or capital expenditures. If these actions were insufficient to allow cash requirements to be funded from within the current cash pooling arrangement, additional funding might be required from DB. This includes consideration of the risk, which the directors believe to be remote, of potential amendments to calculation methodologies for reconciliation payments still to be received for CBSSG or to the terms of BRG, which are at the discretion of the DfT. Changes to methodologies for either scheme could potentially result in receipt of lower cash flows than management's expectation or a need to repay government funding already received to date.

The company is working closely with local authorities to maintain appropriate service levels for customers, supported by BRG funding. BRG is effective from September 2021 through to June 2023 and replaced the previous CBSSG Restart funding scheme, which ended in August 2021. The company expects new funding post June 2023 via the Bus Service Improvement Plan Plus (BSIP+) through its local transport authority, in line with recent correspondence between the DfT and local transport authorities. BSIP+ will run for an initial period from July 2023 to April 2024, with a further period of funding from April 2024 to April 2025. Further funding is also expected to be provided to operators through a new mechanism that will sit alongside the current Bus Service Operators Grant, the DfT are currently working with operators to confirm the rates for this grant.

Furthermore, as set out in the Deutsche Bahn AG ('DB') 31 December 2022 annual report, DB plans to divest the Arriva group which could result in a change in ownership of the company within 12 months of the date of approval of these financial statements. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to provide funding to the company.

Strategic report (continued)  
For the Year Ended 31 December 2021

**FUTURE DEVELOPMENTS (CONTINUED)**

Outcome of directors' going concern assessment

The directors acknowledge the uncertainty regarding immediate access to funds placed with DB and the lack of certainty on government funding support that will be in place beyond June 2023, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not contain the adjustments that would arise if the company were unable to continue as a going concern.

**SECTION 172 STATEMENT**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard to (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The directors of the company 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 'Principal Risks and Uncertainties' section of this report.

Effective communication is integral to building stakeholder relationships. Understanding the company's stakeholders and how they and their interests will impact on the success of the company over the long-term is a key part of the Board decision making. Listening, identifying future needs and being able to respond quickly is critical. Teams across the company's businesses use a variety of channels and approaches to engage with customers, assessing satisfaction and gathering feedback.

The Arriva group's values during 2021 were working as "One Arriva", providing great customer experience, doing the right thing and thinking beyond. These values underpinned the Arriva group's strategy and vision. Arriva group's vision was to be the preferred mobility partner of choice by customers, and its strategy was to have the best employees to strengthen its existing strong foundation and improve its business to create a platform for growth.

For a number of years these values have been at the heart of the Arriva group and represented what the group stood for, what made the group unique helping to guide and develop the strategy and decision making of the Board.

At the end of the last financial year, as part of a wider project, the Arriva plc Board took the decision to refresh the Arriva group's vision and strategy with the aim of strengthening the group's relationships with clients and partners, growing the business and crucially achieving the Arriva group's higher ambition of having a neutral impact on the planet. This review was completed in early 2022.

The Arriva group's new vision is to 'help shape a future where passenger transport is the best choice'; a future where people choose to leave their cars at home and use the group's services, with less congestion on the roads, and cleaner air for the next generation.

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**Strategic report (continued)**  
**For the Year Ended 31 December 2021**

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**SECTION 172 STATEMENT (CONTINUED)**

The Arriva group's mission is to become 'the leading passenger transport partner across Europe' and its renewed purpose is to 'connect people and communities safely, reliably and sustainably, and to deliver these services in a better way, every day'.

The objective of the Arriva group's new values is that they will help to guide new ways of working and will help in achieving the groups mission and realising its vision. The values start with:

- caring passionately about colleagues, customers, clients and the planet;
- doing the right thing each and every day; and
- finding opportunities to make the difference in everything we do.

The implementation of the strategy and policies of the company, including those relating to its relationships with key stakeholders, are managed by the board of the company, and oversight is provided by the Arriva UK Bus division Executive 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 directors of the company aim to meet monthly to discuss the matters that cannot be delegated under the Companies Act 2006 and believe that good governance is key to driving the success of the company.

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 company is committed to the communities that it serves. At Arriva Group an Internal Communications and Engagement Director has oversight of strategic commitments for Corporate Social Responsibility, which forms part of the wider business strategy.

Within its individual business functions, the Arriva group encourages employees to volunteer for charities and projects in the local community. During the financial year ended 31 December 2021, 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 fund raising and other projects. This work was undertaken in a manner that fits best with the company's structure and that maximises the benefit that the company can deliver to its communities.

In addition to the group activities, the UK Bus division supports local charitable/charity initiatives which are meaningful and relevant to the local teams and customer base.

Further information on engagement with employees during the financial year ended 31 December 2021 is provided in the 'Employee engagement' section of the Directors' report.

Further information on engagement with customers during the financial year ended 31 December 2021 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 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 the company. The development performance and position of the group, including this company, is discussed in the Deutsche Bahn AG Integrated Report which does not form part of this report.

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**ARRIVA NORTHUMBRIA LIMITED**

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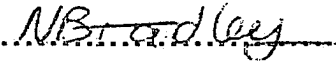
**Strategic report (continued)**  
**For the Year Ended 31 December 2021**

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**POST BALANCE SHEET EVENTS**

Details of post balance sheet events are provided in Note 25 to the financial statements.

This report was approved by the board on 18 August 2023 and signed on behalf of the Board.



**N J Bradley**  
Director

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**Directors' report**  
**For the Year Ended 31 December 2021**

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The directors present their report and the audited financial statements for the year ended 31 December 2021.

**Results and dividends**

The loss for the year, after taxation, amounted to £576,000 (2020 - profit £1,994,000).

The company did not pay a dividend during the year (2020: £3,500,000).

**DIRECTORS**

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

J I Thompson (resigned 8 March 2023)  
P Cummins (resigned 1 June 2022)  
P M Stone (resigned 31 March 2021)  
R J Hoare (resigned 1 August 2021)  
H E Farrall (appointed 25 September 2022, resigned 28 April 2023)  
T C Edwards (resigned 13 August 2021)  
G Peace (resigned 20 June 2022)  
K J Cain (appointed 1 August 2021)  
B W Scott (appointed 10 June 2022)  
N J Bradley (appointed 6 March 2023)

**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 2021 Integrated Report.

The company manages commodity price risk through forward contracts for the purchase of fuel entered into at an Arriva group level. Back to back agreements exist between the company and Arriva Plc, who enter into the underlying forward contracts.

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

**Employee feedback and communication**

The Arriva group conducts both group wide and local employee surveys, the most recent survey taking place in March 2023. Subsequent surveys will take place on a quarterly basis. The surveys are used to highlight areas of engagement and areas for improvement and action. The Arriva Management Board (AMB) oversees initiatives to improve any areas of improvement highlighted by the surveys, as well as maintaining those areas highlighted as working well.

**Directors' report (continued)  
For the Year Ended 31 December 2021**

**EMPLOYEE ENGAGEMENT (CONTINUED)**

**Employee feedback and communication (continued)**

The results of the employee surveys are communicated via the Arriva group's intranet and across the UK Bus division via social media channels and applications as well as notice boards. In addition, meetings are held by line managers with representatives of their teams in order to address areas of concern and seek employee input to find solutions.

There are a number of communication platforms that the Arriva group uses to inform and engage its employees. Briefings are cascaded via line managers, bulletins are posted via email and notice boards, as well as the Arriva group's Yammer feed and the intranet. In the UK Bus division communications are also made via social media channels, notice boards and elected employee representatives.

**Employee health and wellbeing**

The company prides itself on being a people focused organisation that supports the well-being of its employees. The UK Bus division has established an Equality, Diversity and Inclusion council with a supporting governance structure. The Council has launched a number of project streams to support equality in the workplace, increase colleague diversity and promote a more inclusive culture. Examples of the projects, include, conducting a diversity data collection survey to further understanding the diversity of our colleagues, thereby helping ensure that the UK Bus division welcomes and accommodates everyone. Other projects include marking events and celebrations, driver development and career pathways, flexible working, recruitment and selection improvements and training and education. These initiatives all support the overall aim to attract and retain colleagues and be an inclusive employer.

The Arriva group has provided employees with access to online training and assessments on topics such as emotional wellbeing, mental health and remote working. This is in addition to the Arriva group programme Global Arriva Inclusion Network (GAIN), which is aimed at promoting support for mental health and encouraging employees to share their stories in order to tackle mental health concerns. GAIN was originally launched in 2019 as a place for employees to celebrate and share their experience of working at the company. Open and honest feedback is vital to making the company a place where our employees can be themselves every day – regardless of their race, religion, disability, gender, sexual orientation, or any other characteristic.

The GAIN scheme relaunched in 2021 and this time each GAIN community was supported by a member of the AMB, who acted as executive sponsors, using their voices to influence change within the business. Five colleagues also lead the GAIN communities and act as a driving force, helping to plan events, collate feedback and coordinate the group's activity.

**Equal opportunities**

The Arriva group believes in equal opportunities regardless of gender, age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. This approach is underpinned by Arriva's commitment to providing equal opportunities to its current and potential employees and applying fair and equitable employment practices. The group gives full and fair consideration to job applications from people with disabilities, considering their skills and abilities as well as to the further training, development and career progression of employees with disabilities.

Where an employee may become disabled, whether through accident, illness or injury, every reasonable and practicable consideration will be given to ensure that they may remain in employment. There may be some instances where there are no reasonable adjustments that can be made; where this occurs, the company will endeavour to find a suitable alternative position. The Arriva group's Diversity, Inclusion and Equality Policy forms part of the Arriva group policies and standards.

**Directors' report (continued)  
For the Year Ended 31 December 2021**

**Leadership Schemes**

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, group-wide programmes are in place to develop emerging and future leaders across the Arriva group.

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 an initiative 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.

The Arriva Line Manager Programme (ALMP) is a group wide initiative aimed at providing front line people managers with the knowledge and skills to effectively lead their people. Based on the Arriva management competency framework, the programme is a blended curriculum covering areas such as leading others, communicating effectively, developing others and leading in an inclusive and diverse working environment. This collaborative approach invites managers from both the UK Bus division and the UK Train division to forge relationships and networks across the business delivering on the promise of acting as OneArriva.

The Arriva Supervisor Development Programme (ASDP) is aimed at helping first line supervisors to develop their knowledge and skills to become more effective in their role. A more practical programme than ALMP, this learning curriculum focuses more on day-to-day activities such as maintaining a safe working environment, coaching for performance and communicating tasks and company messages.

To support the modular development programmes, eLearning content is provided to reinforce the learning messages within the ALMP and the ASDP. Additionally, the eLearning programmes are used as standalone development tools and provide accessible learning for colleagues across the Arriva group.

In the commitment to support leadership skills at all levels of the business the UK Bus division partnered with higher education institutions to promote senior leader apprenticeship schemes.

**Supporting employees during the COVID-19 pandemic**

The safety and wellbeing of employees is of the utmost importance to the company and has been a key focus area since the start of the COVID-19 pandemic. In light of the very substantially reduced passenger volumes across UK Bus division, the Arriva group took a series of proactive steps to reduce costs and prioritise cash flow. By their nature, these types of decisions are very difficult but were necessary in order to protect the Arriva group for the long term. Wherever possible the UK Bus division has sought to use the emergency schemes put in place by governments to maintain its people in employment during the crisis, and as activity levels have increased, employees have been brought back to work.

In order to maintain a COVID-19 secure environment, risk assessments were undertaken in all areas of the business and measures were put in place in accordance with the Government guidelines. Measures included enhanced cleaning regimes of fleet vehicles, perspex screens, social distancing, face coverings and hand sanitisers. All initiatives were communicated in guidance documents to customers, colleagues and managers. COVID-19 guidelines were continually monitored, and processes implemented across the UK Bus division with all stakeholders advised of any changes.

**Directors' report (continued)**  
**For the Year Ended 31 December 2021**

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**EMPLOYEE ENGAGEMENT (CONTINUED)**

**Supporting employees during the COVID-19 pandemic (continued)**

Comprehensive guidance was provided to managers to enable them to support all colleagues during the COVID-19 pandemic including those working from home and those who were placed on furlough. The communication offered information on the support that was available, such as the Arriva Employee Assistance Programme. Additionally, all HR members were trained in Mental Health First Aid and a network of Health & Wellbeing Champions were implemented across sites and functions, all of which were trained in Mental Health First Aid.

A flexible approach was taken to working hours, recognising the changes to colleagues' circumstances as a result of the COVID-19 pandemic. For example, school closures, home schooling and caring responsibilities.

A specific and dynamic management structure was implemented to evaluate the crisis as it evolved and allow for swift and measured actions to be taken. The level of communication across the business was increased and the UK Bus division worked closely with the Trade Unions to respond in a timely manner to questions raised by colleagues. This also ensured that there was a consistent approach across the whole of UK Bus.

As we emerge from the pandemic, we continue to take a consistent approach across the whole of UK Bus, aligned to updated government guidance and agreed with the Trade Union. Whilst working conditions have broadly returned to normal, the support mechanisms such as Mental Health First Aid and Employee Assistance Programme remain in place. We continue to communicate to all relevant colleagues where updates to guidance take place.

**ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS**

The company's Board of Directors (Board) and each director acknowledge that the success of Arriva group's strategy is reliant on the support and commitment of all of the company's stakeholders. Having stakeholders who believe in the 'Arriva' brand and share the Arriva values is therefore important to the company.

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

- Deutsche Bahn AG;
- Arriva UK Bus Investments Limited;
- Suppliers;
- Passengers;
- The Department for Transport;
- 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 Executive Leadership Team.

During the financial year the Board have considered information from across the Arriva UK Bus division, received presentations from management, reviewed papers and reports and led discussions which considered, where relevant, the impact of the company's activities on its key stakeholders. These activities, together with direct engagement with the company's stakeholders, helped to inform the Board in its decision-making processes. As a Board, the collective role of the directors is to act as effective and responsible stewards of the company. In so doing, the Board ensures that the company is well positioned to achieve long term sustainable success and deliver value for its stakeholders as a whole.

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**Directors' report (continued)**  
**For the Year Ended 31 December 2021**

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**ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS (CONTINUED)**

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

- participation in the National Bus Passenger Survey, a yearly survey of passenger views across bus operators lead by Transport Focus.
- Arriva UK Bus divisions carries out passenger satisfaction surveys and uses the results from them 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 stakeholders, 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 division also maintains frequent communication with stakeholders in Government, including with the Department for Transport, as well as other relevant departments, authorities and public bodies.

**COVID-19**

The COVID-19 pandemic impacted Arriva UK Bus significantly and has required the company to implement contingency measures specific to the local communities in which it operates. Such measures included altering timetables to ensure adequate provision for key workers; addressing specific employee concerns about the pandemic and working collaboratively with local authorities and other stakeholders to deliver appropriate solutions as the company navigated through this crisis. The company implemented enhanced cleaning of vehicles and ensured that, where required by government guidelines, social distancing measures were put into place.

During the COVID-19 pandemic the safety and wellbeing of the company's employees and passengers has been a key priority for the company. Operating through a time of heightened risk both to health and to operating practices has required the company to take appropriate measures to ensure that travelling by public transport remained a safe and convenient option for passengers. The UK Bus division worked closely and collaboratively with key industry partners to find solutions which ensured that the service provision by the company remained at the right level, that government policy was brought into effect, and transport operators received funding to enable essential services to be delivered.

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 2021 is provided in the Employee Engagement section of this report.

**ARRIVA NORTHUMBRIA LIMITED**

**Directors' report (continued)  
For the Year Ended 31 December 2021**

**STREAMLINED ENERGY AND CARBON REPORTING DISCLOSURE (SECR)**

UK energy consumption and greenhouse gas emissions for Arriva Northumbria Limited (the company) for the period 1 January to 31 December.

Energy usage for the Company in the United Kingdom	Current reporting year 2021	Previous reporting year 2020
Scope 1 – Fuel use from transport and combustion of natural gas/tCO <sub>2</sub> e <sup>1</sup>	14,939	14,493
Scope 2 – Emissions resulting from the purchase of electricity, including heat, steam, or cooling (location based)/tCO <sub>2</sub> e	99	91
Scope 3 – Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel/tCO <sub>2</sub> e	NIL	NIL
Total gross emissions/tCO <sub>2</sub> e	15,038	14,584
tCO <sub>2</sub> e per full time equivalent employees <sup>2</sup>	30.4	32.6
Energy consumption used to calculate the above emissions / kWh	60,071,627	58,235,200

<sup>1</sup> tCO<sub>2</sub>e means tonnes (t) of carbon dioxide (CO<sub>2</sub>) equivalent (e)

<sup>2</sup> The full time number equivalent number of employees for the financial year ended 31 December 2021 was 494

**Methodology**

The company is required to report its UK energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the UK Government's policy on Streamlined Energy and Carbon Reporting.

As a wholly owned subsidiary of Deutsche Bahn AG, the company is obliged to use their approved emission factors for site energy and the source for site consumption emission factors is the GEMIS database (GEMIS: IINAS, Darmstadt (Germany)). To calculate the emissions, the company has used the UK Government GHG Conversion Factors for company Reporting 2021.

Source data has been obtained from the following:

1. Fuel Usage – Fuel Issues to Bus Report
2. Site Energy – Consumption Reports from Schneider
3. Employee Figures – Workday (internal HR system)

The energy usage data for both the 2020 and 2021 financial years are comparable with each other, although it does show that there was a slight increase in energy usage for the 2021 financial year. The result of this is due to services levels gradually increasing throughout the year as the COVID-19 lockdown restrictions were eased.

**Directors' report (continued)**  
**For the Year Ended 31 December 2021**

**STREAMLINED ENERGY AND CARBON REPORTING DISCLOSURE (SECR) (CONTINUED)**

**Environmental policy**

The Arriva group has an EHS policy, which consists of the group's internal environmental risk assurance standards and is built around the following objectives:

- Robust environmental management and risk assurance;
- Clear accountability;
- Clear communication of goals and progress;
- Targeting improvements in CO<sub>2</sub>e emissions, Energy, Water and Waste; and
- Ensuring compliance with local law regulations, and that key environmental risks are mitigated.

The UK Bus division strives for best practice in Health, Safety, Environment and Risk (HSER) and aims to play an important role in the reduction of greenhouse gases to stabilise the increase in global temperatures, reduce the ecological footprint, deliver business efficiencies and protect the environment.

**Energy efficiency actions**

Sustainability has a central role in the Arriva group's strategy. Arriva inspires and promotes greener, more connected transport for all, and is working towards becoming a climate neutral business it can be proud of. The Zero Emission (ZE) Institute has been launched in the beginning of 2022, which supports and enables the transition to a zero emissions fleet.

The establishment of the ZE Institute is a key initiative for the Arriva group as a whole as the businesses collectively work together to create a stronger, more competitive Arriva, and demonstrate its commitment to sustainability throughout its operations. It will enable the group to share knowledge and best practice from existing operations, technical expertise, market intelligence, supplier relationships and understanding of new technologies to help inform and provide innovative sustainable mobility solutions.

In collaboration with the Arriva group, the company is committed to reducing their carbon footprint. Examples of the carbon reducing initiatives include:

The UK Bus division continues to work closely with Transport for London (TfL) to progress its bus fleet to achieve TfL's objectives to meet the London Mayor's carbon target by 2030.

The UK Bus division saw its first all-electric fleet garage go live in 2021 and will continue to convert further sites in line with tender submissions and renewals.

The UK Bus division is currently working in conjunction with Local Authorities to implement electric fleets in Leicester and Wakefield. It is the intention that these will go live in 2023 and 2024 respectively, with a further six locations under review.

The Brixton Tramshed project went live in 2021 and it is hoped that this can now be delivered to other depots in London.

Hydrogen fuelled buses have been trialled during 2022 to gain a more comprehensive understanding of this relatively new technology.

**QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The company has made qualifying third-party indemnity provisions for the benefit of its directors as part of a group wide insurance policy. The qualifying third-party indemnity provisions (as defined in Section 234 of the Companies Act 2006) were in force during the year ended 31 December 2021 and continue to remain in force at the reporting date.

**Directors' report (continued)**  
**For the Year Ended 31 December 2021**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES 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 regulation.

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

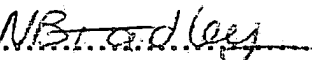
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the 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 18 August 2023 and signed on its behalf.



**N J Bradley**  
Director

# Independent auditors' report to the members of Arriva Northumbria Limited

## Report on the audit of the financial statements

### Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, Arriva Northumbria Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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, including 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 2021; 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 qualified opinion

As explained in note 1.11 of the financial statements, the company's average monthly number of employees disclosed in note 8 is based on the number of persons that operationally provide services to the company. This is since staff perform work for entities, with which they do not have employment contracts, within the same group as the entity with which they have their employment contract. Therefore, it is not possible to determine what the number of employees is based on contracts. As such, the financial statements do not include the average monthly number of employees based on persons employed under contracts of service by the company as required in Section 411 (1) and Section 411 (4)(a) of the Companies Act 2006. We are unable to quantify the magnitude of the difference between management's disclosure and the disclosure that would be determined if the Companies Act requirements were followed.

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 qualified 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

Without further modifying our opinion on the financial statements, 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") (the ultimate parent undertaking) 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. Furthermore, as set out in the DBAG 31 December 2021 annual report, DB plans to divest of the Arriva group which could result in a change in ownership of the company within 12 months of the date of approval of these financial statements. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to continue to provide funding to the company. These conditions, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company 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 Northumbria 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 2021 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 Statement of Directors' responsibilities 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.

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.

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

## Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, 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;
- 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; and
- Testing and challenging of assumptions and judgements made by management in making significant accounting estimates.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

In respect solely of the limitation on our work relating to the quantification of the number of persons employed under contracts of service for this company, described in the Basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the company.

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

- 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.



Paul Hudson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
21 August 2023

# ARRIVA NORTHUMBRIA LIMITED

## Statement of comprehensive income For the Year Ended 31 December 2021

	Note	2021 £000	Restated 2020 £000
Turnover	4	19,701	18,977
Cost of sales		(25,075)	(24,893)
<b>Gross loss</b>		<b>(5,374)</b>	<b>(5,916)</b>
Administrative expenses		(5,739)	(5,095)
Other operating income	5	10,529	10,846
<b>Operating loss</b>	6	<b>(584)</b>	<b>(165)</b>
Interest receivable and similar income	10	-	18
Interest payable and similar expenses	11	(8)	(11)
<b>Loss before tax</b>		<b>(592)</b>	<b>(158)</b>
Tax on loss	12	16	2,152
<b>(Loss) / Profit for the financial year</b>		<b>(576)</b>	<b>1,994</b>
<b>Other comprehensive income / (expense):</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Changes in market value of cash flow hedges	19	1,300	(883)
Deferred tax attributable to changes in market value of cash flow hedges	20	(280)	165
<b>Total other comprehensive income / (expense) net of tax</b>		<b>1,020</b>	<b>(718)</b>
<b>Total comprehensive income for the year</b>		<b>444</b>	<b>1,276</b>

The notes on pages 21 to 39 form part of these financial statements.

**ARRIVA NORTHUMBRIA LIMITED**  
Registered number: 00237558

**Balance sheet**  
**As at 31 December 2021**

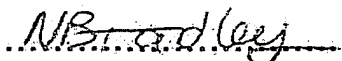
	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	14	13,125	15,019
		<u>13,125</u>	<u>15,019</u>
<b>Current assets</b>			
Stocks	15	501	355
Debtors: amounts falling due after more than one year	16	280	-
Debtors: amounts falling due within one year	16	13,832	12,486
Cash at bank and in hand		393	201
		<u>15,006</u>	<u>13,042</u>
Creditors: amounts falling due within one year	17	(13,933)	(14,058)
<b>Net current assets/(liabilities)</b>		<u>1,073</u>	<u>(1,016)</u>
<b>Total assets less current liabilities</b>		<u>14,198</u>	<u>14,003</u>
Creditors: amounts falling due after more than one year	18	(665)	(1,162)
Provisions for liabilities	21	(438)	(190)
<b>Net assets</b>		<u><u>13,095</u></u>	<u><u>12,651</u></u>

**ARRIVA NORTHUMBRIA LIMITED**  
Registered number: 00237558

**Balance sheet (continued)**  
**As at 31 December 2021**

	<b>Note</b>	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b>Capital and reserves</b>			
Called up share capital	22	2,050	2,050
Cash flow hedge reserve		407	(613)
Profit and loss account		10,638	11,214
<b>Total shareholders' funds</b>		<b>13,095</b>	<b>12,651</b>

The financial statements on pages 17 to 39 were approved and authorised for issue by the board and were signed on its behalf on 18 August 2023.



**N J Bradley**  
Director

The notes on pages 21 to 39 form part of these financial statements.

**ARRIVA NORTHUMBRIA LIMITED**

**Statement of changes in equity  
For the Year Ended 31 December 2021**

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' funds £000
<b>At 1 January 2020</b>	<b>2,050</b>	<b>105</b>	<b>12,720</b>	<b>14,875</b>
<b>Comprehensive income for the year</b>				
Profit for the financial year	-	-	1,994	1,994
Changes in market value of cash flow hedges	-	(883)	-	(883)
Deferred tax attributable to changes in market value of cash flow hedges	-	165	-	165
<b>Other comprehensive expense for the year</b>	<b>-</b>	<b>(718)</b>	<b>-</b>	<b>(718)</b>
<b>Total comprehensive (expense)/ income for the year</b>	<b>-</b>	<b>(718)</b>	<b>1,994</b>	<b>1,276</b>
Dividends paid (Note 13)	-	-	(3,500)	(3,500)
<b>At 31 December 2020 and 1 January 2021</b>	<b>2,050</b>	<b>(613)</b>	<b>11,214</b>	<b>12,651</b>
<b>Comprehensive income for the year</b>				
Loss for the financial year	-	-	(576)	(576)
Changes in market value of cash flow hedges	-	1,300	-	1,300
Deferred tax attributable to changes in market value of cash flow hedges	-	(280)	-	(280)
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>1,020</b>	<b>-</b>	<b>1,020</b>
<b>Total comprehensive income/ (expense) for the year</b>	<b>-</b>	<b>1,020</b>	<b>(576)</b>	<b>444</b>
<b>At 31 December 2021</b>	<b>2,050</b>	<b>407</b>	<b>10,638</b>	<b>13,095</b>

The notes on pages 21 to 39 form part of these financial statements.

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**Notes to the financial statements  
For the Year Ended 31 December 2021**

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**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 revaluation of derivative financial instruments and in accordance with the Companies Act 2006.

There are no amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the company's financial statements.

**Restatement of Statement of comprehensive income**

The comparative amounts for Cost of sales and Administrative expenses for the year ended 31 December 2020 have been restated by £952,000 to correct the presentation of establishment costs relating to depots. In the previous financial statements these values were included in Administrative expenses, however it had been determined that these were directly related to the sale of the company's services. Cost of sales as previously reported for the year ended 31 December 2020 of £23,941,000 has increased to £24,893,000 and Administrative expenses previously reported for the year ended 31 December 2020 of £6,047,000 has decreased to £5,095,000.

The restatement had no impact on the total comprehensive income reported for the year ended 31 December 2020 and hence no impact on the previously reported Statement of changes in equity for the year ended 31 December 2020 or on the company's previously reported Balance sheet at 31 December 2020.

**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 as patronage growth recovers beyond the pandemic.

The company is working closely with local authorities to maintain appropriate service levels for customers, supported by BRG funding. BRG is effective from September 2021 through to June 2023 and replaced the previous CBSSG Restart funding scheme, which ended in August 2021. The company expects new funding post June 2023 via the Bus Service Improvement Plan Plus (BSIP+) through its local transport authority, in line with recent correspondence between the DfT and local transport authorities. BSIP+ will run for an initial period from July 2023 to April 2024, with a further period of funding from April 2024 to April 2025. Further funding is also expected to be provided to operators through a new mechanism that will sit alongside the current Bus Service Operators Grant, the DfT are currently working with operators to confirm the rates for this grant.

**Liquidity and funding risk**

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 a party to this arrangement for several years. Under the arrangement substantially all the company's cash balance 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 balance to remain positive over the going concern assessment period.

**Notes to the financial statements  
For the Year Ended 31 December 2021**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**Going concern (continued)**

Liquidity and funding risk (continued)

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, which 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 issues 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.

Trading risk

In completing their going concern assessment, the directors have also considered a severe but plausible downside scenario, along with associated management actions that would be taken to mitigate the impacts under that scenario on the company's cash position. Actions management might need to implement include reducing services and delaying or curtailing discretionary operating or capital expenditures. If these actions were insufficient to allow cash requirements to be funded from within the current cash pooling arrangement, additional funding might be required from DB. This includes consideration of the risk, which the directors believe to be remote, of potential amendments to calculation methodologies for reconciliation payments still to be received for CBSSG or to the terms of BRG, which are at the discretion of the DfT. Changes to methodologies for either scheme could potentially result in receipt of lower cash flows than management's expectation or a need to repay government funding already received to date.

The company is working closely with local authorities to maintain appropriate service levels for customers, supported by BRG funding. BRG is effective from September 2021 through to June 2023 and replaced the previous CBSSG Restart funding scheme, which ended in August 2021. The company expects new funding post June 2023 via the Bus Service Improvement Plan Plus (BSIP+) through its local transport authority, in line with recent correspondence between the DfT and local transport authorities. BSIP+ will run for an initial period from July 2023 to April 2024, with a further period of funding from April 2024 to April 2025. Further funding is also expected to be provided to operators through a new mechanism that will sit alongside the current Bus Service Operators Grant, the DfT are currently working with operators to confirm the rates for this grant.

Furthermore, as set out in the Deutsche Bahn AG ('DB') 31 December 2022 annual report, DB plans to divest the Arriva group which could result in a change in ownership of the company within 12 months of the date of approval of these financial statements. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to provide funding to the company.

**Notes to the financial statements  
For the Year Ended 31 December 2021**

**1. ACCOUNTING POLICIES (CONTINUED)**

**GOING CONCERN (CONTINUED)**

Outcome of directors' going concern assessment

The directors acknowledge the uncertainty regarding immediate access to funds placed with DB and the lack of certainty on government funding support that will be in place beyond June 2023, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not contain the adjustments that would arise if the company were unable to continue as a going concern.

**1.2 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;
- 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 26 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

Notes to the financial statements  
For the Year Ended 31 December 2021

**1. ACCOUNTING POLICIES (CONTINUED)**

**1.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS (continued)**

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 UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

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".

**1.3 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.

**1.4 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 charged so as to allocate the cost of assets less their residual value over their estimated 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.

Land is not depreciated.

Depreciation is provided on the following basis:

Short term leasehold property	- straight line over the period of the lease
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

**1.5 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'.

**Notes to the financial statements  
For the Year Ended 31 December 2021**

**1. ACCOUNTING POLICIES (CONTINUED)**

**1.5 LEASES (CONTINUED)**

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.

**1.6 STOCKS**

Stocks primarily comprise fuel consumable by the company's public service vehicles, valued at the weighted-average of cost price and hedge prices, reflecting basis adjustments for hedged fuel purchases. Other stocks, such as consumable engineering spares, are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost of other stocks is measured on a first-in, first-out basis.

**1.7 DEBTORS**

Trade and other debtors, including amounts owed by group undertakings, 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.

Allowances for expected credit losses on trade and other debtors are recognised only where they are material.

Contract assets also relate to income earned in an earlier period, which has not yet been billed at the reporting date (see note 1.3). All contract assets are also subject to the simplified approach used to measure expected lifetime credit loss allowances under IFRS 9.

**1.8 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.

Where cash balances are held under cash pooling arrangements operated by the company's ultimate parent, on behalf of the company, such cash balances are disclosed within amounts owed by group undertakings.

**Notes to the financial statements  
For the Year Ended 31 December 2021**

**1. ACCOUNTING POLICIES (CONTINUED)**

**1.9 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 shareholders' equity with no impact on the statement of 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.

**1.10 CREDITORS**

Trade creditors are obligations to pay for goods / services that have been acquired in the ordinary course of business. Trade and other creditors, including amounts owed to group undertakings, are initially stated at fair value and subsequently at amortised cost using the effective interest method.

Accrued expenses are recognised at the point a service is received by the company and released to the Statement of comprehensive income over the period of the service received.

**1.11 EMPLOYEE BENEFITS**

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans. Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received and relates to staff costs for all employees employed in fulfilling the company's operations. In some instances employees have contracts of service with another group company.

**Pensions**

During the year Arriva plc, the intermediate UK parent company, operated both a defined benefit pension schemes 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 schemes, 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.

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**Notes to the financial statements  
For the Year Ended 31 December 2021**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**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**

Dividend distributions to the company's shareholders are recognised in the company's financial statements in the period in which the dividends are approved.

**1.14 SHARES**

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.

**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.

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,

**Notes to the financial statements  
For the Year Ended 31 December 2021**

**1. ACCOUNTING POLICIES (CONTINUED)**

**1.15 CURRENT AND DEFERRED TAXATION (continued)**

except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

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

Deferred tax assets and liabilities are not discounted.

**2. 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 income, as outlined in Note 24.

**2.2 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 that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**Notes to the financial statements  
For the Year Ended 31 December 2021**

**2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)**

Impairment and useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Where there is an indicator of impairment, management is required to perform an impairment review over tangible fixed assets. The loss recognised by the company in the year ended 31 December 2021 is considered by management to be an indicator of impairment. For the purpose of impairment testing, the company is considered a single CGU. The recoverable amount of the tangible fixed assets has been determined as the higher of fair value less costs of disposal and value-in-use. The value-in-use calculated for the CGU is significantly in excess of the carrying value of tangible fixed assets.

Accordingly, no impairment to tangible fixed assets has been recognised in the year. The value-in-use for the CGU has been calculated through a discounted cash flow, using a discount rate of 6.00% and a long term growth rate of 1.9%.

The impact of climate change has been assessed and incorporated, where relevant, into the underlying cash flows used as the basis for the value in use calculation.

See Note 14 for the carrying amount of the tangible fixed assets and Note 1.4 for the useful economic lives for each class of assets.

**3. GENERAL INFORMATION**

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

The registered company number is 00237558 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne & Wear, SR3 3XP.

**4. TURNOVER**

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

All turnover arose within the United Kingdom.

**5. OTHER OPERATING INCOME**

	2021 £000	2020 £000
Other income	52	1,575
Rental income	9	10
Management fee income	1,865	856
Government grants receivable	8,603	8,405
	<u>10,529</u>	<u>10,846</u>

# ARRIVA NORTHUMBRIA LIMITED

## Notes to the financial statements For the Year Ended 31 December 2021

### 6. OPERATING LOSS

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

	2021 £000	2020 £000
Depreciation of tangible assets	2,240	2,532
(Profit) / loss on disposal of tangible assets and buildings	(5)	29
Management fees	1,386	936
Staff Costs	15,843	15,707
Cost of stocks recognised as an expense	5,693	5,338
Expenses related to short-term leases	153	-
	<u>153</u>	<u>-</u>

### 7. AUDITORS' REMUNERATION

Fees payable to the company's auditors in respect of the audit of the financial statements:

	2021 £000	2020 £000
Fees for the audit of the company	61	44
	<u>61</u>	<u>44</u>

### 8. STAFF COSTS

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

	2021 £000	2020 £000
Wages and salaries	14,024	13,951
Social security costs	1,205	1,166
Other pension costs (Note 24)	614	590
	<u>15,843</u>	<u>15,707</u>

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

	2021 No.	2020 No.
Drivers	398	416
Engineering	60	47
Administrative	36	34
	<u>494</u>	<u>497</u>

# ARRIVA NORTHUMBRIA LIMITED

## Notes to the financial statements For the Year Ended 31 December 2021

### 9. DIRECTORS' EMOLUMENTS

	2021 £000	2020 £000
Recharges for directors' qualifying services to the company	103	130
	<u>103</u>	<u>130</u>

The directors did not receive any emoluments from the company in the financial year for their directorship (2020: £nil) of the company. The directors received remuneration in respect of all their directorships from Arriva plc. These amounts have been recharged to the company and disclosed above.

### 10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £000	2020 £000
Interest receivable from group undertakings	-	18
	<u>-</u>	<u>18</u>

### 11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £000	2020 £000
Interest on lease liabilities	8	11
	<u>8</u>	<u>11</u>

### 12. TAX ON LOSS

	2021 £000	2020 £000
<b>Corporation tax</b>		
Current tax on loss for the year	(241)	(91)
Adjustments in respect of prior years	(8)	(380)
<b>Total current tax credit</b>	<u>(249)</u>	<u>(471)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(37)	(38)
Adjustments in respect of prior years	270	(1,643)
<b>Total deferred tax charge/(credit)</b>	<u>233</u>	<u>(1,681)</u>
<b>Tax on loss</b>	<u>(16)</u>	<u>(2,152)</u>

**Notes to the financial statements  
For the Year Ended 31 December 2021**

**12. TAX ON LOSS (CONTINUED)****FACTORS AFFECTING TAX CREDIT FOR THE YEAR**

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Loss before tax	<b>(592)</b>	<b>(158)</b>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	<b>(112)</b>	<b>(30)</b>
<b>Effects of:</b>		
Adjustments in respect of prior years	<b>262</b>	<b>(2,023)</b>
Depreciation in respect of ineligible assets	<b>-</b>	<b>5</b>
Impact of rate change on deferred tax	<b>(166)</b>	<b>(104)</b>
<b>Total tax credit for the year</b>	<b>(16)</b>	<b>(2,152)</b>

**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%. The proposal to increase the rate to 25% was substantively enacted before the balance sheet date, so its effects are included in these financial statements.

**13. DIVIDENDS**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Dividends paid	<b>-</b>	<b>3,500</b>
	<b>-</b>	<b>3,500</b>

**Notes to the financial statements**  
**For the Year Ended 31 December 2021**

**14. TANGIBLE ASSETS**

	Property £000	Plant, machinery, fixtures and motor vehicles £000	Public service vehicles £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2021	4,736	2,409	20,795	27,940
Additions	142	103	443	688
Disposals	(80)	(51)	(1,770)	(1,901)
At 31 December 2021	<u>4,798</u>	<u>2,461</u>	<u>19,468</u>	<u>26,727</u>
<b>Accumulated depreciation</b>				
At 1 January 2021	907	1,654	10,360	12,921
Charge for the year	238	218	1,784	2,240
Disposals	(80)	(51)	(1,428)	(1,559)
At 31 December 2021	<u>1,065</u>	<u>1,821</u>	<u>10,716</u>	<u>13,602</u>
<b>Net book value</b>				
At 31 December 2021	<u><u>3,733</u></u>	<u><u>640</u></u>	<u><u>8,752</u></u>	<u><u>13,125</u></u>
At 31 December 2020	<u><u>3,829</u></u>	<u><u>755</u></u>	<u><u>10,435</u></u>	<u><u>15,019</u></u>

# ARRIVA NORTHUMBRIA LIMITED

## Notes to the financial statements For the Year Ended 31 December 2021

### 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 1 January 2021	431	239	670
Additions	123	14	137
Disposals	(80)	(51)	(131)
At 31 December 2021	474	202	676
Accumulated depreciation			
At 1 January 2021	191	114	305
Charge for the year	157	58	215
Disposals	(80)	(51)	(131)
At 31 December 2021	268	121	389
Net book value			
At 31 December 2021	206	81	287
At 31 December 2020	240	125	365

### 15. STOCKS

	2021 £000	2020 £000
Raw materials and consumables	501	355
	<b>501</b>	<b>355</b>

### 16. DEBTORS

	2021 £000	2020 £000
<b>Due after more than one year</b>		
Derivative financial instruments (Note 19)	280	-
	<b>280</b>	<b>-</b>
<b>Due within one year</b>		
Trade debtors	298	623
Amounts owed by group undertakings	11,297	8,175
Other debtors	764	1,719
Prepayments and accrued income	577	812

# ARRIVA NORTHUMBRIA LIMITED

## Notes to the financial statements For the Year Ended 31 December 2021

### 16. DEBTORS (CONTINUED)

Deferred taxation	553	1,066
Group relief	80	91
Derivative financial instruments (Note 19)	263	-
	13,832	12,486

Amounts owed by group undertakings includes £9,604,000 (2020: £8,014,000) of balances placed in a group wide cash pooling agreement with the ultimate parent company. The amounts placed are unsecured, interest free and repayable on demand. Prior to April 2020, interest was receivable at a rate of 0.5% on the amounts placed.

Trade debtors are stated after provisions for impairment of £2,000 (2020: £51,000).

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

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

	2021 £000	2020 £000
Lease liabilities	177	217
Trade creditors	17	70
Amounts owed to group undertakings	7,318	7,318
Other taxation and social security	818	801
Other creditors	1,668	1,074
Accruals and deferred income	3,765	4,147
Derivative financial instruments (Note 19)	-	431
Deferred capital grants	170	-
	13,933	14,058

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

Other creditors includes accruals for personnel expenses amounting to £804,000 (2020: £890,000).

**Notes to the financial statements  
For the Year Ended 31 December 2021**

**18. CREDITORS: Amounts falling due after more than one year**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Lease liabilities	<b>106</b>	<b>194</b>
Deferred capital grants	<b>559</b>	<b>642</b>
Derivative financial instruments (Note 19)	<b>-</b>	<b>326</b>
	<b>665</b>	<b>1,162</b>

Lease liabilities falling due after more than one year include liabilities of £23,000 (2020: £Nil) falling due after more than five years.

The total cash outflow for leases was £8,000 (2020: £11,000).

**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. Fuel price hedging has been entered into with the intention to reduce price fluctuations attributable to fuel sourcing.

The receipts/payments from fuel derivatives are recognised in the statement of comprehensive income 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 fuel price derivatives recognised in the statement of comprehensive income are £Nil (2020: £Nil).

The amounts recognised in the balance sheet are as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Debtors: Amounts falling due after more than one year (Note 16)	<b>280</b>	<b>-</b>
Debtors: Amounts falling due within one year (Note 16)	<b>263</b>	<b>-</b>
Creditors: Amounts falling due within one year (Note 17)	<b>-</b>	<b>(431)</b>
Creditors: Amounts falling due after more than one year (Note 18)	<b>-</b>	<b>(326)</b>
	<b>543</b>	<b>(757)</b>

# ARRIVA NORTHUMBRIA LIMITED

## Notes to the financial statements For the Year Ended 31 December 2021

### 20. DEFERRED TAXATION ASSET

	2021 £000	2020 £000
At 1 January	1,066	(780)
(Charged) / credited to (loss)/profit for the financial year (Note 12)	(233)	1,681
(Charged) / credited to other comprehensive income/(expense)	(280)	165
<b>At 31 December</b>	<b>553</b>	<b>1,066</b>

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Differences between capital allowances and depreciation	(16)	(110)
Short term timing differences	706	1,032
Derivative financial instruments	(137)	144
	<b>553</b>	<b>1,066</b>

The deferred tax asset has been recognised on the basis that the company is expected to return to long term profitability and therefore have sufficient profits upon which the deferred tax asset can be utilised.

### 21. PROVISIONS FOR LIABILITIES

	Restructuring £000	Dilapidations £000	Insurance £000	Total £000
At 1 January 2021	120	70	-	190
Additions	-	22	421	443
Transfers from accruals and deferred income	-	-	375	375
Utilised in year	(120)	-	(283)	(403)
Released in year	-	-	(167)	(167)
<b>At 31 December 2021</b>	<b>-</b>	<b>92</b>	<b>346</b>	<b>438</b>

The dilapidations provision represented the directors' best estimate of future dilapidation costs arising from existing contractual obligations.

Insurance provisions are amounts payable relating to insurance incidents, based on an assessment of the expected settlement on known claims using the experience of insurance claims handlers.

# ARRIVA NORTHUMBRIA LIMITED

## Notes to the financial statements For the Year Ended 31 December 2021

### 22. CALLED UP SHARE CAPITAL

	2021 £000	2020 £000
<b>Authorised</b>		
3,000,000 (2020 - 3,000,000) Ordinary shares of £1.00 each	3,000	3,000
<b>Allotted, called up and fully paid</b>		
2,050,000 (2020 - 2,050,000) Ordinary shares of £1.00 each	2,050	2,050

### 23. CAPITAL COMMITMENTS

At 31 December the company had capital commitments as follows:

	2021 £000	2020 £000
Property, plant and equipment	207	-
	207	-

### 24. PENSION COMMITMENTS

During 2021, the UK intermediate parent company, Arriva plc, operated defined benefit pension schemes and a contract based retirement benefit scheme providing benefits to certain employees within Arriva Northumbria Limited.

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

During 2021, both the APSNPS and APSP were closed to future accrual, with the APSNPS simultaneously closing to new entrants.

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 2020, 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 2019, using the Projected Unit Method.

**Notes to the financial statements  
For the Year Ended 31 December 2021**

**24. PENSION COMMITMENTS (CONTINUED)**

IAS 19 'Employee Benefits' (revised June 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 2021. As the company is unable to identify its share of the assets and liabilities of the group schemes, 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 £614,000 (2020: £590,000).

**25. POST BALANCE SHEET EVENTS**

There are no significant post balance sheet events, however, Arriva will closely monitor developments in both Russia and Ukraine. This is a non-adjusting post balance sheet event, as we do not expect there to be any material impact due to the company not having operations in either of the above countries. Although the group operates across Europe, we do not see any other material business risks at this stage, but management are continuously monitoring the impact on fuel prices and how this may impact the wider group.

Subsequent to the reporting date, management decided to cease operations at the Jesmond depot and the site was closed in October 2022. A break clause under the terms of the lease was exercised and the site vacated. All plant and equipment at the location has subsequently been written off or relocated to another Arriva group site.

**26. 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 AG Group are not specifically disclosed as the company has taken advantage of the exemption available for wholly-owned subsidiaries.