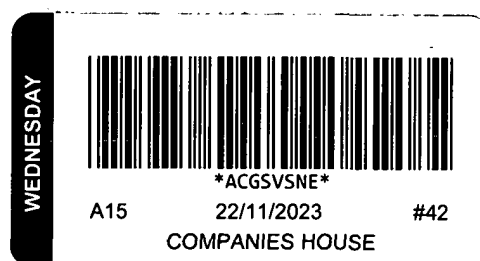


Registered number: 02328559

# ARRIVA LONDON NORTH LIMITED

**Annual report and financial statements**

**For the Year Ended 31 December 2022**



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**ARRIVA LONDON NORTH LIMITED**

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**Company Information**

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|-----------------------------|--|
| <b>Directors</b>            | A Jones<br>G C Davies<br>J M Perkin<br>S Rawal   |
| <b>Registered number</b>    | 02328559   |
| <b>Registered office</b>    | 1 Admiral Way<br>Doxford International Business Park<br>Sunderland<br>Tyne and Wear<br>SR3 3XP   |
| <b>Independent auditors</b> | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>Central Square South<br>Orchard Street<br>Newcastle upon Tyne<br>NE1 3AZ |

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**ARRIVA LONDON NORTH LIMITED**

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## ARRIVA LONDON NORTH LIMITED

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### Strategic report For the Year Ended 31 December 2022

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The directors present their Strategic report for the year ended 31 December 2022.

#### PRINCIPAL ACTIVITIES

The principal activity of the company is that of the operation of bus services.

#### REVIEW OF BUSINESS

The company's statement of comprehensive income on page 24 shows a profit before tax for the year of £5,995,000 (2021: loss of £75,291,000). The improvement in performance largely reflects the non-recurrence of a significant impairment charge recognised in the previous year.

At the balance sheet date, the company had net liabilities of £75,370,000 (2021: £34,990,000). The increase in net liabilities is predominantly due to the actuarial loss on the defined benefit pension scheme (see Note 24 to the financial statements), which was only partially offset by the profit for the year.

The directors consider the state of the company's affairs to be satisfactory.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to local and national competition, factors which would cause a decline in the market and going concern. 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. Going concern is discussed within the Future Developments section below.

#### KEY PERFORMANCE INDICATORS

The Management Board of Deutsche Bahn AG, the company's ultimate parent company, manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of 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.

#### 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, as with other London bus operators, experienced a significant reduction in passenger numbers from March 2020 onwards, following the implementation of the UK Government's measures to mitigate the public health impacts of the COVID-19 pandemic. Passenger numbers continue to remain below pre-pandemic levels but are recovering and the company continues to work with Transport for London ('TfL') on service levels moving forwards.

**Strategic report (continued)**  
**For the Year Ended 31 December 2022**

**FUTURE DEVELOPMENTS (CONTINUED)**

As the company's income is predominantly receivable from TfL by way of contractual payments for the routes it operates, passenger numbers and journeys remaining below pre-pandemic levels does not directly impact payments receivable under its contracts. However, receipt of contractually due payments under these agreements is ultimately dependent on the financial position of TfL and the company is dependent upon these payments being made.

A long-term TfL funding settlement has been agreed between TfL and the Department for Transport ('DfT') and was announced on 30 August 2022. This long-term funding settlement follows four previous emergency and temporary funding packages put into place since March 2020, and will remain in effect until 31 March 2024, or until TfL and the DfT agree that TfL has reached financial sustainability if sooner. Under the terms of the funding settlement, TfL will be protected from passenger revenue risk, with the DfT providing financial support to fund shortfalls between TfL's costs and revenue up to an agreed annual envelope of operational and capital expenditure. The agreement reflects the DfT's recognition that London's transport network is reliant on fare revenue and their commitment to supporting that network by mitigating the loss of fare revenue as a result of the pandemic.

The timing of completion of TfL's path to financial sustainability and whether TfL would require additional support beyond 31 March 2024 remains unclear and this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. However, the Secretary of State for Transport publicly stated in the 30 August 2022 funding announcement that the DfT recognises that TfL has long-term financial commitments beyond the funding period. The Secretary of State for Transport also noted that TfL is also not expected to fund major capital enhancements or renewals from its operating incomes and that further capital funding support from the DfT beyond 31 March 2024 may be required should TfL not be able to fund such spending from its own resources.

On 19 October 2023, Deutsche Bahn AG ('DB') announced an agreement had been signed under which Arriva plc, the company's intermediate parent company, would be sold to I-Squared Capital. The sale is expected to complete in the first half of 2024, following which the company would cease to be part of the DB Group. 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.

Currently the company voluntarily participates in a group cash pooling arrangement operated by its ultimate parent, DB. This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies that the company has been party to for several years, and the arrangement is expected to remain in place up to the change in control. Under the arrangement substantially all the company's cash balances are swept into the group cash pool at the end of each business day.

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 DB group policies and be inconsistent with past practice.

**Strategic report (continued)**  
**For the Year Ended 31 December 2022**

**FUTURE DEVELOPMENTS (CONTINUED)**

Since inception of the pooling arrangement, the company has never experienced any issue being able to draw upon its cash balances within the group cash pool to settle its liabilities as they fall due. The company has a unilateral right to terminate its participation in the DB group cash pooling arrangement by giving one month's notice to DB. Further, the forecast cash flows prepared by management demonstrate that the company will use its cash surplus, held in the group cash pool, within the assessment period. The company is expected to require a group overdraft facility during the assessment period. No formal application has yet been made to DB for this facility.

Outcome of directors' going concern assessment

The directors acknowledge that the uncertainty regarding immediate access to funds placed with DB prior to the expected change in control, together with the uncertainty over replacement funding arrangements from the point of expected change in control onwards, and whether the company will receive its contractually due payments from TfL, due to the lack of certainty on TfL's path to financial sustainability and extent of additional government support (if required) beyond 31 March 2024, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern.

In completing their going concern assessment, the directors have considered the terms of the TfL support package as noted above, in addition to the public comments made by the Secretary of State for Transport outlining the purpose of this support package and the DfT's stated commitment to supporting London's transportation network and services.

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to receive its contractually due payments from TfL and have full and immediate access to its pooled cash or credit facility balances with DB, and that appropriate funding arrangements will be in place post the acquisition of the Arriva group by I-Squared Capital and therefore remain confident of the company's ability to continue to operate and to discharge its liabilities as they fall due for the foreseeable future.

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

**Future capital investment**

Investment is being made in engineering to ensure the company is well equipped to deal with the increasing number of electric buses that will need to come into the fleet. The company will carry on working with Transport for London to ensure performance continues to improve, environmental considerations are met and the company are the 'Operator of choice' in the London bus market.

**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):

- 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.

**Strategic report (continued)**  
**For the Year Ended 31 December 2022**

**SECTION 172 STATEMENT (CONTINUED)**

The role of the company's Board of Directors (the Board) is to be collectively responsible for the company's long-term sustainable success, providing strategic leadership, direction, and governance within a framework of effective controls. In giving due regard to their duties as directors, the Board are mindful of the principal activities and purpose of the company and its interaction with the wider Arriva group. The directors are particularly focussed on the interests of its employees and the need to foster business relationships with suppliers, customers, and others. The Board recognises that it is accountable to its stakeholders for ensuring that the company is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours. The issues and factors which have guided the directors' decisions are outlined in the 'Principal Risks and Uncertainties' section of this report.

**Governance**

The company is a wholly owned subsidiary of Arriva plc, with Deutsche Bahn AG being the ultimate parent company. The directors of the company aim to meet monthly to discuss the matters that cannot be delegated under the Companies Act 2006.

The day-to-day management of the company's business and the implementation of the strategy and policies of the company, including those relating to its relationships with key stakeholders, is managed by the Board.

Board meetings of the company are attended by the directors and the agenda is set in collaboration between directors prior to such meetings. The Board's annual rolling agenda ensures that time is balanced between strategy and operational performance, as well as the Board's wide-ranging governance and regulatory responsibilities. To allow directors to utilise their time and skills effectively at Board meetings, papers are circulated securely and electronically to all directors ahead of each meeting.

The Board is supportive of regular director training. With the ever-evolving regulatory and policy landscape in which the Arriva group operates, it is important that the Board maintains a good working knowledge of the Bus sector and how the company operates within this sector, as well as being aware of recent and upcoming developments in the wider legal and regulatory environment. To support the Board's knowledge and skills, the directors of the Board are provided with directors' duties training.

During the year, the Board continued to operate in accordance with the Arriva group's Corporate Governance Manual, which includes formal procedures for the working of the Board and its committees within the governance framework and delegated authorities.

**Principal decisions**

Principal decisions are defined by the company as those which impact the long-term sustainable success of the company, or which have a significant effect on the company's stakeholders. Understanding the company's stakeholders and how they and their interests will impact the success of the company over the long-term is a key part of the Board decision making in which they are required to consider the future development, performance and position of the Arriva group.

During the financial year ended 31 December 2022 the directors did not make any principal decisions that impacted the company or its ability to meet the expectations of the company's key stakeholders.

**Sustainability**

The Board considers the impact of the company's operations on the community and environment and the long-term sustainability of the company in their decision making to ensure that it is aligned with the Arriva group's mission to become the leading passenger transport partner across Europe and to accelerate the company's journey to becoming a climate neutral company.

Further information on how the directors have had regard to their duties as a director of the company can be found in the following sections:

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**ARRIVA LONDON NORTH LIMITED**

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**Strategic report (continued)**  
**For the Year Ended 31 December 2022**

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**SECTION 172 STATEMENT (CONTINUED)**

**Sustainability (continued)**

Employee engagement and employee initiatives – pages 6 to 9

Engagement with stakeholders – pages 9 to 10

Streamlined energy and carbon report – pages 11 to 12

This report was approved by the board on 17 November 2023 and signed on behalf of the board.



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**J M Perkin**  
Director



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## ARRIVA LONDON NORTH LIMITED

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### Directors' report For the Year Ended 31 December 2022

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The directors present their report and the audited financial statements for the year ended 31 December 2022.

#### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £5,434,000 (2021 - loss of £75,245,000).

The company did not pay a dividend (2021: £nil) during the financial year.

At the balance sheet date, the company had net liabilities of £75,370,000 (2021: £34,990,000). The increase in net liabilities is predominantly due to the actuarial loss on the defined benefit pension scheme (see Note 24 to the financial statements), which was only partially offset by the profit for the year.

#### DIRECTORS

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

A Jones  
S W Bond (resigned 7 July 2022)  
J M Perkin (appointed 6 January 2022)  
G C Davies (appointed 1 February 2022)  
S Rawal (appointed 12 July 2022)

#### 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 2022 Integrated Report.

The company manages commodity price risk through pay fixed, receive floating fuel price swap 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 swap contracts.

#### EMPLOYEE ENGAGEMENT

The Board recognises that its employees are key to its success and 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 Board is committed to assist the company in its aspirations to be an employer of choice and to employ a workforce with the skills, abilities, diversity and attitudes to meet the company's business objectives and needs. The Board aims to provide appropriate remuneration, benefits and conditions of employment which serve to attract, retain, motivate and reward its employees.

The Board is supportive of the company's promotion 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.

**Directors' report (continued)**  
**For the Year Ended 31 December 2022**

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**EMPLOYEE ENGAGEMENT (CONTINUED)**

The Board receive updates by the company's senior managers at Board meetings. These include proposals and relevant information impacting the strategy and policies of the company, including those relating to employee and workforce engagement. Information communicated to the Board by senior management about employees and the workforce helps to inform the Board to ensure workforce policies and procedures are consistent with the company's values, in promoting its long-term sustainable success. Information on principal decisions made by the company during the financial year ended 31 December 2022 can be found in the Section 172 Statement on pages 3 to 5 of this Annual report.

**Employee feedback and communication**

Both group-wide and local employee surveys are carried out regularly and the Board considers the results of these surveys to highlight areas of engagement and areas for improvement and action. The Directors oversee initiatives to improve any areas of development highlighted by the surveys, as well as maintaining those areas highlighted as working well. The results of the employee surveys are communicated via the Arriva group's intranet and 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.

**Employee health and wellbeing**

During 2022, the Arriva groups new Inclusion strategy was launched with the aim of ensuring a co-ordinated approach to inclusion across all business units, so that all parts of the Arriva group are aligned behind common goals. The Board were supportive of progressing the implementation of the strategy throughout the company whereby all Arriva group employees are considered and given fair and equal consideration.

The UK Bus division also operates an Equality, Diversity and Inclusion council with a supporting governance structure. During 2022 the Council 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.

All employees have 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 is a place for employees to celebrate and share their experience of working at the Arriva group. Open and honest feedback is vital to making the Arriva group a place where employees can be themselves every day – regardless of their race, religion, disability, gender, sexual orientation, or any other characteristic.

The GAIN community is supported by members of the Arriva Management Board (AMB), who act 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.

**Directors' report (continued)**  
**For the Year Ended 31 December 2022**

**EMPLOYEE ENGAGEMENT (CONTINUED)**

**Equal opportunities**

The Directors believe 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 the company's commitment to providing equal opportunities to its current and potential employees and applying fair and equitable employment practices. The company gives full and fair consideration to job applications from people with disabilities, considering their skills and abilities.

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.

Arriva London North Limited's equal opportunity policy includes providing career development and training opportunities, along with promotion opportunities for all employees with any disability.

**Leadership schemes**

The Board 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.

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.

In the commitment to support leadership skills at all levels of the business the UK Bus division, the Board are supportive of the company's partnerships with higher education institutions to promote senior leader apprenticeship schemes.

Directors' report (continued)  
For the Year Ended 31 December 2022

**EMPLOYEE ENGAGEMENT (CONTINUED)**

**Volunteering**

Within its individual business functions, the Arriva group encourages employees to volunteer for charities and projects in the local community. Previous 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.

**Moving forward from the COVID-19 pandemic**

Since the start of the pandemic, the safety and wellbeing of employees has been of the utmost importance to the Board and during this time the company has supported employees through flexible working arrangements, seeking regular feedback and making adjustments so that employees can conduct their roles safely.

With the introduction of the Omicron variant of COVID-19 in early 2022, the Board was again challenged to respond at pace to the wider deviation of measures and rules implemented across the United Kingdom and Europe. The Board, with the oversight of the UK Bus Executive Leadership Team and the AMB, have continually focussed their efforts on safeguarding the health and wellbeing of the Arriva group's employees and passengers, and as a result of a resilient business model were able to respond rapidly to the changing requirements during the pandemic.

Throughout this extraordinary period, the company's employees have shown significant commitment and resilience to ensure that the business continued to deliver safe, reliable services for its customers and communities. As the restrictions of the pandemic were lifted during 2022, the Board remain collectively focused on fulfilling an important purpose in supporting society, its communities and the environment and this has continued to be demonstrated across the Business unit as a new normal has been established.

**ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS**

The Board seeks to achieve its strategic objectives by taking into account the needs of its stakeholders and the impact the company's business may have on them. The Board is aware that its decisions can impact one or more groups of stakeholders and aims to ensure effective engagement with stakeholder so that stakeholder interests are considered in Board discussions and decisions.

The key stakeholders which are most relevant to the decision making of the Board, include, but are not limited to:

- Deutsche Bahn AG;
- Arriva UK Bus Investments Limited;
- Suppliers;
- Passengers;
- The Department for Transport;
- Local Transport Authorities (including Transport for London in respect of contracted services); and
- Local communities in which the Company is based.

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## ARRIVA LONDON NORTH LIMITED

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### Directors' report (continued) For the Year Ended 31 December 2022

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

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. Further information on the principal decisions made by the Board during the financial year ended 31 December 2022 can be found in the Section 172 statement on pages 3 to 5.

##### Customers

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

- Participation in the National Bus Passenger Survey, a yearly survey of passenger views across bus operators lead by Transport Focus;
- Arriva UK Bus division 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; and
- 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.

##### Suppliers

Suppliers are fundamental contributors to the success of the company. The Board holds regular meetings and forums to manage relationships, understand challenges and to source, identify and implement solutions and more effective ways of working. The Directors take payment practice commitments to suppliers seriously and with the assistance of company employees, seek to ensure prompt payment of invoices in line with Arriva group's policies. The Board believes that prompt payment of invoices is key to facilitating good relationship with its suppliers.

Further information on how the company has fostered relationships with its employees during the financial year ended 31 December 2022 is provided in the Employee Engagement section of this report.

#### 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 2022 and continue to remain in force at the reporting date and up to the date of signing the financial statements.

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**ARRIVA LONDON NORTH LIMITED**

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**Directors' report (continued)  
For the Year Ended 31 December 2022**

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

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

| Energy usage for the company in the United Kingdom   | Current reporting year 2022 | Previous reporting year 2021 |
|--|-----------------------------|------------------------------|
| Scope 1 – Fuel use from transport and combustion of natural gas/tCO <sub>2</sub> e <sup>1</sup>  | 79,176                      | 80,780                       |
| Scope 2 – Emissions resulting from the purchase of electricity, including heat, steam, or cooling (location based)/tCO <sub>2</sub> e                          | 567                         | 602                          |
| 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   | 79,743                      | 81,382                       |
| tCO <sub>2</sub> e per full time equivalent employees  | 24.0                        | 22.9                         |
| Energy consumption used to calculate the above emissions / kWh   | 313,308,872                 | 325,631,110                  |

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

**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 (SECR).

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 2022.

Source data has been obtained from the following:  
Fuel Usage – Fuel Issues to Bus Report  
Site Energy – Consumption Reports from Schneider  
Employee Figures – Workday (internal HR system)

The energy usage data for 2022 financial year has reduced in comparison to the energy data for 2021 financial year and this is a trend that can be seen across the majority of Arriva UK Bus entities. The reason for the decrease in carbon emissions is attributable to the energy efficient actions (below) which have been implemented throughout the 2022 financial year.

**Directors' report (continued)  
For the Year Ended 31 December 2022**

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

**Environmental policy**

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 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 CO2e emissions, Energy, Water and Waste; and
- Ensuring compliance with local law regulations, and that key environmental risks are mitigated.

The Zero Emission (ZE) Institute was launched at the beginning of 2022, which supports and enables the transition to a zero emissions fleet.

**Energy efficiency actions**

The company 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. Examples of the carbon reducing initiatives which have been implemented across the company during the financial year ended 31 December 2022 include:

**Fleet**

- During 2022, almost 10% of the company fleet was subject to an environmental upgrade through the installation of Eminox retrofitted exhaust emissions technology which helps to reduce vehicle emissions.
- The company continued 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 and is further working in conjunction with UK Local Authorities to implement electric fleets.
- The company has installed a driver telematics systems to its fleet to monitor driver behaviour, including ecological driving, in order to reduce emissions.
- The company has two sites in the North that continue to operate compressed natural gas buses.
- Hydrogen fuelled buses were trialled by the company during 2022 to gain a more comprehensive understanding of this relatively new technology.

In order for the business to move forward on the net zero commitment, £9,100,000 of the £9,407,000 future commitments in Note 23 relates to acquiring an electric fleet.

**Premises**

An environmental management system was introduced to the company that included operational standards for energy reduction in premises. Fundamental to this introduction is the development, distribution, and use of key performance indicators for energy (Electricity and Gas) to monitor usage at UK, Regional, Area and Site Level and to progress against targets to reduce emissions.

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## ARRIVA LONDON NORTH LIMITED

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### Directors' report (continued) For the Year Ended 31 December 2022

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#### MATTERS COVERED IN THE STRATEGIC REPORT

Details of future developments are disclosed in the Strategic report.

#### POST BALANCE SHEET EVENTS

Details of post balance sheet events are provided in Note 27 to the financial statements.

#### 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.



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**ARRIVA LONDON NORTH LIMITED**

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**Directors' report (continued)**  
**For the Year Ended 31 December 2022**

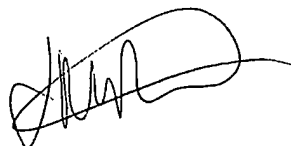
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**DIRECTORS' CONFIRMATIONS**

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 17 November 2023 and signed on its behalf.



.....  
**J M Perkin**  
Director

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## ARRIVA LONDON NORTH LIMITED

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### Corporate governance report For the Year Ended 31 December 2022

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For the financial year ended 31 December 2022, pursuant to the Companies (Miscellaneous Reporting) Regulations 2018, the Arriva group has continued to apply the Wates Corporate Governance Principles for Large Private Companies (Wates Principles), published by the Financial Reporting Council (FRC) in December 2018 as an appropriate framework for disclosure of its corporate governance arrangements.

Set out below is how the Wates principles have been applied by the company for the financial year ended 31 December 2022.

#### **Principle 1 - Purpose and leadership**

The company forms part of the Arriva group, which has been owned by Deutsche Bahn AG since August 2010. The company's purpose is to operate bus services in London. Arriva London North forms part of Arriva London, which is one of the largest bus operators in London.

During the last two years, the Board have supported the Arriva group where necessary in their efforts to facilitate a comprehensive review of the Arriva group, called Project Revitalise; a series of programmes aimed at building a stronger, more competitive Arriva group. The object of the project was to ensure that the purpose of the business was clearly promoted, and that the Arriva group's values, strategy and culture were all aligned, and that the Arriva group continued to meet the needs of its customers, clients and society as a whole.

As part of Project Revitalise, the Arriva group embarked on a review of its vision, mission, purpose, and strategic plan, which also included a review of the organisational values. This process included using support from an external business partner, and employees from all parts of the Arriva group were engaged. The aim of the process was to build a strategic plan that would provide the company and the wider Arriva group with both objectives and direction for the next three to five years. This included developing a new set of Values and Behaviours that could be used to help the company effectively execute the Arriva group's strategy.

The formal launch of the new Strategy, Purpose, Vision, Mission and Values took place in March 2022 with a video shared across the Arriva group, incorporating the ideas of Arriva colleagues. Briefings were then held by Business leaders with their individual teams to help employees understand their roles in helping make Arriva group's mission, purpose and vision a reality and how the values could be embedded into day-to-day business activities.

#### **Principle 2 - Board composition**

At the end of 2022, the company's board (the "Board") comprised of four directors and a Company Secretary. The size and composition of the Board is considered to be appropriate for the business at this time.

The directors have equal voting rights when making decisions. All directors of the company have access to the advice and services of the Arriva group company secretarial team and may, if they wish, take independent professional advice at the company's expense.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Principle 2 - Board composition (continued)

Across all Arriva group companies in the UK, there is an induction programme and guide for all new directors. The induction of new senior managers into the company however is overseen by the UK Bus division (of which the company is part), and then locally by the company. As part of the induction process new senior managers are encouraged to learn about the company's business and their team. In addition, there is an annual director's duty training session for directors who feel they may benefit from the additional training.

There is a variety of information available to senior managers to assist them with their leadership, including access to the Statutory Directors Handbook and Arriva's Standards of Business Conduct.

In addition, all senior managers are required to complete eLearning modules within their first three months of employment on the following subjects: Information Security & Data Protection, Competing Fairly, Financial Crime and Standards of Business Conduct.

The company continues to be committed to creating an ever more inclusive environment, and fostering a more diverse workforce, including at the most senior of levels.

### Principle 3 - Director responsibilities

#### Accountability

The company believes that good governance is key to achieving a successful business. The company's governance structure is supported by a comprehensive Arriva Group Corporate Governance Manual and the Group Scheme of Delegation, both of which are reviewed periodically by the Arriva group's company Secretarial team and ultimately approved by the Board.

The Board holds four scheduled meetings each year and operates an annual agenda of standing items, which is aligned with good practice in Corporate Governance, including an annual review of internal controls systems and information security. Items requiring Board approval or endorsement are clearly defined. Unscheduled meetings are held as required where topics warrant more time or decisions need to be made outside of the normal cycle of meetings. On occasion, it may be necessary for company decisions to be concluded via written resolution, as permitted by the company's Articles of Association.

The executive directors complete annual senior manager and Standards of Business Conduct compliance training confirming that they have behaved in accordance with the Arriva group's behaviours and values.

Conflicts of interest training is included within the financial crime training module in the company's training programme, and the majority of office-based staff of the company are required to complete this module when they join the business, and thereafter annually as a refresher.

The company maintains two compliance registers, one for competition returns and another for annual conflict of interests declarations which captures the following information:

- Contact with a competitor or public official – this form captures instances of employee contact with competitors and public officials;
- Conflicts of interest – this form captures instances of conflicts that the company's employees must declare as outlined within the Arriva group's Conflict of Interest Policy and Guidelines;
- Gift, hospitality or donation - this form captures instances of any gift, hospitality or donation that the company's employees have received, and which must be declared in accordance with the Arriva groups' Anti- Bribery Policy and Guidelines.

The company also maintains a secondary employment register which is part of the Conflicts of Interest policy. New directors must also complete a director's appointment pack which contains a list of their statutory duties under the Companies Act 2006, and a declaration of all their current directorships, both internal and external.

## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **Principle 3 - Directors' responsibilities (continued)**

#### **Accountability (continued)**

The company is required to complete a half yearly Corporate Confidence Report which is returned to the Arriva group's Compliance Team for onward reporting to the divisional management teams and the Arriva Management Board. This report addresses policy roll out, significant regulator related incidents (including GDPR and Network and Information Systems) and significant security incidents involving Arriva group level systems and networks and digital learning completion (e.g. mandatory e-learning tutorials).

### **Principle 4 - Opportunity and risk**

The Board and consider risk management fundamental to the success of the company and recognise it as an integral component of the overall control framework supporting the achievement of the strategic and business objectives of the company. The risk appetite for the company and the wider Arriva group is set by the Arriva plc Board, where it is ensured that a framework of governance, risk management and control is in place to promote the growth of the business.

#### **Internal control framework**

The Board in cohesion with the UK Bus Executive seek out the best opportunities for the company, whilst mitigating the potential risks. The Arriva group's internal control framework (BiMoG) is based on German accounting law and requires businesses to evaluate risks and define and implement appropriate mitigating controls measures. These controls are regularly reviewed by the Arriva group's Internal Audit function.

Regular updates are provided to the Board by the Internal Audit team on the effectiveness of Arriva group's internal control framework.

The Arriva group's key operational risks and mitigation are outlined in the Strategic Report on pages 1 to 5. The company's Strategic Report includes key risks that are monitored by the AMB.

#### **Risk management**

In 2022, a new risk framework was established within the Arriva group, together with a Risk, Committee Forum (Risk Committee), an executive forum of the AMB.

The Risk Committee meet at least four times per year to formally review Arriva group's risk appetite and the principal and emerging risks that the company is willing to take across all major activities. Risk analysis includes consideration of the Arriva group's risk exposure and the measures in place to effectively mitigate risks. The Arriva group's risk register is reviewed biennially by the AMB and the Board is required to consider the effectiveness of the risk management on an annual basis.

A new and improved Risk Management Process, supported by an Arriva Risk Management Policy and supplementary templates were launched across the Arriva group in December 2022. The intention of the revised risk policies and procedures was to provide a more streamlined governance process across the business to support the Arriva group in managing risks more efficiently to enhance the performance of the business.

The revised process underpins the practices currently in place across the business with the new policy and process designed, amongst other things, to:

## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **Principle 4 - Opportunity and risk (continued)**

#### **Risk management (continued)**

The current approach to risk reporting at Arriva Group includes:

- simplify risk management and facilitate effective controls;
- bring consistency, rigour, structure, and transparency to the assessment of risks;
- build a strong financial risk reporting foundation;
- add an increased strategic, commercial, and operational perspective to complement the current financial focus to enhance risk management;
- reinforce senior management's responsibility and accountability for mitigating and monitoring risks over time and strengthen a culture of risk awareness and management; and
- introduce new insightful Top Risks management reports to the AMB and the Board.

The systems and controls of the company are designed to manage and mitigate risks as they arise, however, it is accepted that they cannot provide total assurance that a risk will not materialise.

#### **Responsibilities**

The company has developed a governance framework which includes the Arriva Group Corporate Governance Manual including the Arriva Group's Scheme of Delegation. This framework ensures that the appropriate level of diligence and oversight has been performed when understanding the obligations, risks and terms of each business-related transaction. This enables the Arriva group to meet its strategic objectives and all transactions are fully reviewed and assessed in alignment with the Arriva group's strategy and risk appetite before approval is granted.

### **Principle 5 - Remuneration**

The Arriva group is an active equal opportunities employer and promotes diversity and inclusion to achieve an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development. The company's objective is to ensure that all decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit. The company balances short-term operational performance, with the delivery of longer-term profits and returns and recognises its social impact on employees.

The Arriva group recognises that senior managers are key to driving the success and future growth of the business through the ongoing development of employees and in developing the leadership capability to support future succession planning. The purpose of the Arriva group's senior manager pay and bonus policy is to recognise their contribution to the business and sustained business performance, through a market competitive balance of fixed and variable pay elements.

Regularly independent reviews of Arriva groups total rewards package for senior managers are undertaken to ensure it maintains market competitiveness that allows the Arriva group to recruit and retain the calibre of senior managers it requires to drive a high performing culture and achieve its strategic objectives.

## **CORPORATE GOVERNANCE REPORT (CONTINUED)**

### **Principle 6 - Stakeholders**

The company's Board promotes good governance, which is key to achieving the Arriva group's strategy, as well as continuing effective relationships with all stakeholders including, passengers, customers (including local/national transport authorities in respect of contracted services), employees, suppliers and the local communities in which the company operates.

The company is committed to social responsibility, working with local communities and environmental sustainability. It achieves this by working with the local community and promoting working together.

The company's Board promotes stakeholder engagement, as well as transparency with all stakeholders and with representatives of local and national government.

Further information on engagement with stakeholders during the financial year ended 31 December 2022, is provided in the 'Engagement with stakeholders section of the Directors' report.

Further information on engagement with employees during the financial year ended 31 December 2022 is provided in the 'Employee engagement' section of the Directors' report.

# Independent auditors' report to the members of Arriva London North 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 London North Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, 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 2022; 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

### 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") 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. The cash flow forecasts prepared by management demonstrate that the company will require additional funding from DB within the assessment period. As this additional funding has not been secured yet, this may not be readily available during the period of 12 months from the date of approval of the financial statements which may result in the company not being able to continue to meet its operational funding requirements. The company is also dependent upon its contractually due payments from Transport for London (TfL).

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

## Material uncertainty related to going concern (continued)

The company is reliant on the continued funding from TfL and any reduction in the funding from TfL may result in the company not being able to operate at its current level. Furthermore, on 19 October 2023, DB announced an agreement had been signed under which Arriva plc, the company's intermediate parent company, would be sold to I-Squared Capital. The sale is expected to complete in the first half of 2024, following which the company would cease to be part of the DB Group. 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 evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained the latest management forecasts that detail the directors' assessment and conclusion with respect to their ability to continue as a going concern.
- We evaluated the reasonableness of the forecast in the context of historical performance and current trading performance and challenged management on the key assumptions used in the forecasts.
- We also assessed the downside scenario for reasonableness and challenged management on the key assumptions.
- We performed sensitivity analysis on the forecasts and assessed the impact on liquidity and management's assessment.
- We reviewed the mathematical integrity of management's going concern forecast models, where no exceptions were identified.
- We evaluated management's disclosures in relation to going concern in the financial statements and consider these to be appropriate.

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

## 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 on, 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.



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

## 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 2022 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.

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.

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

## 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 quantification of 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.

*Ian Morrison*

Ian Morrison (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
17 November 2023

# ARRIVA LONDON NORTH LIMITED

## Statement of comprehensive income For the Year Ended 31 December 2022

|  | Note | 2022<br>£000    | 2021<br>£000    |
|--|------|-----------------|-----------------|
| Turnover   | 4    | 232,036         | 241,324         |
| Cost of sales  |      | (220,523)       | (229,718)       |
| <b>GROSS PROFIT</b>  |      | <b>11,513</b>   | <b>11,606</b>   |
| Administrative expenses  |      | (20,298)        | (97,215)        |
| Other operating income   | 5    | 12,926          | 9,602           |
| <b>OPERATING PROFIT/(LOSS)</b>   | 6    | <b>4,141</b>    | <b>(76,007)</b> |
| Interest receivable and similar income   | 10   | 421             | -               |
| Interest payable and similar expenses  | 11   | (310)           | (403)           |
| Other finance credit   | 13   | 1,743           | 1,119           |
| <b>PROFIT/(LOSS) BEFORE TAX</b>  |      | <b>5,995</b>    | <b>(75,291)</b> |
| Tax on profit/(loss)   | 12   | (561)           | 46              |
| <b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>                                    |      | <b>5,434</b>    | <b>(75,245)</b> |
| <b>OTHER COMPREHENSIVE (EXPENSE)/INCOME:</b>                                   |      |                 |                 |
| <b>Items that will not be reclassified to profit or loss:</b>                  |      |                 |                 |
| Actuarial (loss)/gain on defined benefit schemes                               | 24   | (46,571)        | 13,997          |
| Movements of deferred tax relating to actuarial (loss)/gain on pension surplus | 20   | -               | (7,973)         |
|  |      | (46,571)        | 6,024           |
| <b>Items that may be reclassified to profit or loss:</b>                       |      |                 |                 |
| Changes in market value of cash flow hedges                                    | 19   | 8,648           | 7,102           |
| Deferred tax attributable to changes in market value of cash flow hedges       | 20   | -               | (1,524)         |
|  |      | 8,648           | 5,578           |
| <b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>                                |      | <b>(32,489)</b> | <b>(63,643)</b> |

The notes on pages 28 to 56 form part of these financial statements.

**ARRIVA LONDON NORTH LIMITED**  
Registered number: 02328559

**Balance sheet**  
**As at 31 December 2022**

|   | Note | 2022<br>£000           | 2021<br>£000           |
|---|------|------------------------|------------------------|
| <b>Fixed assets</b>                                     |      |                        |                        |
| Tangible assets   | 14   | 41,206                 | 38,418                 |
|   |      | <u>41,206</u>          | <u>38,418</u>          |
| <b>Current assets</b>                                   |      |                        |                        |
| Stocks  | 15   | 1,626                  | 1,632                  |
| Debtors: Amounts falling due after more than one year   | 16   | 7,241                  | 9,870                  |
| Debtors: Amounts falling due within one year            | 16   | 60,957                 | 63,261                 |
| Pension surplus   | 24   | 42,416                 | 88,551                 |
| Cash at bank and in hand                                |      | 66                     | 9                      |
|   |      | <u>112,306</u>         | <u>163,323</u>         |
| Creditors: Amounts falling due within one year          | 17   | (200,231)              | (207,005)              |
| <b>Net current liabilities</b>                          |      | <u>(87,925)</u>        | <u>(43,682)</u>        |
| <b>Total assets less current liabilities</b>            |      | <u>(46,719)</u>        | <u>(5,264)</u>         |
| Creditors: Amounts falling due after more than one year | 18   | (17,405)               | (19,443)               |
| Provisions for liabilities                              | 21   | (11,246)               | (10,283)               |
| <b>Net liabilities</b>                                  |      | <u><u>(75,370)</u></u> | <u><u>(34,990)</u></u> |
| <b>Capital and reserves</b>                             |      |                        |                        |
| Called up share capital                                 | 22   | 8,142                  | 8,142                  |
| Share premium account                                   | 25   | 45,642                 | 45,642                 |
| Cash flow hedge reserve                                 | 25   | 2,943                  | 2,186                  |
| Profit and loss account                                 | 25   | (132,097)              | (90,960)               |
| <b>Total shareholders' deficit</b>                      |      | <u><u>(75,370)</u></u> | <u><u>(34,990)</u></u> |

**ARRIVA LONDON NORTH LIMITED**  
**Registered number: 02328559**

**Balance sheet (continued)**  
**As at 31 December 2022**

The financial statements on pages 24 to 56 were approved and authorised for issue by the board and were signed on its behalf by 17 November 2023.



.....  
**J M Perkin**  
Director

The notes on pages 28 to 56 form part of these financial statements.

**ARRIVA LONDON NORTH LIMITED**

**Statement of changes in equity  
For the Year Ended 31 December 2022**

|  | Called up<br>share<br>capital<br>£000 | Share<br>premium<br>account<br>£000 | Cash flow<br>hedge<br>reserve<br>£000 | Profit and<br>loss<br>account<br>£000 | Total<br>shareholders'<br>funds/(deficit)<br>£000 |
|--|---------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---|
| <b>At 1 January 2021</b>   | <b>8,142</b>                          | <b>45,642</b>                       | <b>(3,392)</b>                        | <b>(21,739)</b>                       | <b>28,653</b>                                     |
| <b>Comprehensive (expense)/ income for the year</b>                      |                                       |                                     |                                       |                                       |   |
| Loss for the financial year  | -                                     | -                                   | -                                     | (75,245)                              | (75,245)  |
| Actuarial gains on pension surplus                                       | -                                     | -                                   | -                                     | 13,997                                | 13,997  |
| Movements of deferred tax relating to actuarial gains on pension surplus | -                                     | -                                   | -                                     | (7,973)                               | (7,973)   |
| Changes in market value of cash flow hedges                              | -                                     | -                                   | 7,102                                 | -                                     | 7,102   |
| Deferred tax attributable to changes in market value of cash flow hedges | -                                     | -                                   | (1,524)                               | -                                     | (1,524)   |
| <b>Total other comprehensive income</b>                                  | <b>-</b>                              | <b>-</b>                            | <b>5,578</b>                          | <b>6,024</b>                          | <b>11,602</b>                                     |
| <b>Total comprehensive income/(expense) for the year</b>                 | <b>-</b>                              | <b>-</b>                            | <b>5,578</b>                          | <b>(69,221)</b>                       | <b>(63,643)</b>                                   |
| <b>At 31 December 2021 and 1 January 2022</b>                            | <b>8,142</b>                          | <b>45,642</b>                       | <b>2,186</b>                          | <b>(90,960)</b>                       | <b>(34,990)</b>                                   |
| <b>Comprehensive income/(expense) for the year</b>                       |                                       |                                     |                                       |                                       |   |
| Profit for the financial year  | -                                     | -                                   | -                                     | 5,434                                 | 5,434   |
| Actuarial loss on pension surplus  | -                                     | -                                   | -                                     | (46,571)                              | (46,571)  |
| Changes in market value of cash flow hedges                              | -                                     | -                                   | 8,648                                 | -                                     | 8,648   |
| <b>Total other comprehensive income/(expense)</b>                        | <b>-</b>                              | <b>-</b>                            | <b>8,648</b>                          | <b>(46,571)</b>                       | <b>(37,923)</b>                                   |
| <b>Total comprehensive income/(expense) for the year</b>                 | <b>-</b>                              | <b>-</b>                            | <b>8,648</b>                          | <b>(41,137)</b>                       | <b>(32,489)</b>                                   |
| Transfers to inventory   | -                                     | -                                   | (7,891)                               | -                                     | (7,891)   |
| <b>At 31 December 2022</b>   | <b>8,142</b>                          | <b>45,642</b>                       | <b>2,943</b>                          | <b>(132,097)</b>                      | <b>(75,370)</b>                                   |

The notes on pages 28 to 56 form part of these financial statements.

**Notes to the financial statements  
For the Year Ended 31 December 2022**

**1. ACCOUNTING POLICIES**

**1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all years, unless otherwise stated.

The financial statements have been prepared on the going concern basis under the historic cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through cash flow hedge reserves, and in accordance with the Companies Act 2006.

There were no amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 31 December 2022 that have had a material impact on the company's financial statements.

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

**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, as with other London bus operators, experienced a significant reduction in passenger numbers from March 2020 onwards, following the implementation of the UK Government's measures to mitigate the public health impacts of the COVID-19 pandemic. Passenger numbers continue to remain below pre-pandemic levels but are recovering and the company continues to work with Transport for London ('TfL') on service levels moving forwards.

As the company's income is predominantly receivable from TfL by way of contractual payments for the routes it operates, passenger numbers and journeys remaining below pre-pandemic levels does not directly impact payments receivable under its contracts. However, receipt of contractually due payments under these agreements is ultimately dependent on the financial position of TfL and the company is dependent upon these payments being made.

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## ARRIVA LONDON NORTH LIMITED

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### Notes to the financial statements For the Year Ended 31 December 2022

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#### 1. ACCOUNTING POLICIES (CONTINUED)

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

###### GOING CONCERN (CONTINUED)

A long-term TfL funding settlement has been agreed between TfL and the Department for Transport ('DfT') and was announced on 30 August 2022. This long-term funding settlement follows four previous emergency and temporary funding packages put into place since March 2020, and will remain in effect until 31 March 2024, or until TfL and the DfT agree that TfL has reached financial sustainability if sooner. Under the terms of the funding settlement, TfL will be protected from passenger revenue risk, with the DfT providing financial support to fund shortfalls between TfL's costs and revenue up to an agreed annual envelope of operational and capital expenditure. The agreement reflects the DfT's recognition that London's transport network is reliant on fare revenue and their commitment to supporting that network by mitigating the loss of fare revenue as a result of the pandemic.

The timing of completion of TfL's path to financial sustainability and whether TfL would require additional support beyond 31 March 2024 remains unclear and this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. However, the Secretary of State for Transport publicly stated in the 30 August 2022 funding announcement that the DfT recognises that TfL has long-term financial commitments beyond the funding period. The Secretary of State for Transport also noted that TfL is also not expected to fund major capital enhancements or renewals from its operating incomes and that further capital funding support from the DfT beyond 31 March 2024 may be required should TfL not be able to fund such spending from its own resources.

On 19 October 2023, Deutsche Bahn AG ('DB') announced an agreement had been signed under which Arriva plc, the company's intermediate parent company, would be sold to I-Squared Capital. The sale is expected to complete in the first half of 2024, following which the company would cease to be part of the DB Group. 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.

Currently the company voluntarily participates in a group cash pooling arrangement operated by its ultimate parent, DB. This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies that the company has been party to for several years, and the arrangement is expected to remain in place up to the change in control. Under the arrangement substantially all the company's cash balances are swept into the group cash pool at the end of each business day.

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 DB group policies and be inconsistent with past practice.



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## ARRIVA LONDON NORTH LIMITED

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### Notes to the financial statements For the Year Ended 31 December 2022

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#### 1. ACCOUNTING POLICIES (CONTINUED)

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

##### GOING CONCERN (CONTINUED)

Since inception of the pooling arrangement, the company has never experienced any issue being able to draw upon its cash balances within the group cash pool to settle its liabilities as they fall due. The company has a unilateral right to terminate its participation in the DB group cash pooling arrangement by giving one month's notice to DB. Further, the forecast cash flows prepared by management demonstrate that the company will use its cash surplus, held in the group cash pool, within the assessment period. The company is expected to require a group overdraft facility during the assessment period. No formal application has yet been made to DB for this facility.

##### Outcome of directors' going concern assessment

The directors acknowledge that the uncertainty regarding immediate access to funds placed with DB prior to the expected change in control, together with the uncertainty over replacement funding arrangements from the point of expected change in control onwards, and whether the company will receive its contractually due payments from TfL, due to the lack of certainty on TfL's path to financial sustainability and extent of additional government support (if required) beyond 31 March 2024, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern.

In completing their going concern assessment, the directors have considered the terms of the TfL support package as noted above, in addition to the public comments made by the Secretary of State for Transport outlining the purpose of this support package and the DfT's stated commitment to supporting London's transportation network and services.

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to receive its contractually due payments from TfL and have full and immediate access to its pooled cash or credit facility balances with DB, and that appropriate funding arrangements will be in place post the acquisition of the Arriva group by I-Squared Capital and therefore remain confident of the company's ability to continue to operate and to discharge its liabilities as they fall due for the foreseeable future.

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

**Notes to the financial statements  
For the Year Ended 31 December 2022**

**1. ACCOUNTING POLICIES (CONTINUED)**

**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;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The company is a qualifying entity for the purpose of FRS 101 and Note 26 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

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

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

**Notes to the financial statements  
For the Year Ended 31 December 2022**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.3 TURNOVER**

Turnover consists of the gross revenue for road passenger transport, receivable from the TfL, together with the aggregate amounts receivable for other 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 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.

Tangible assets include right-of-use assets under lease arrangements. Note 1.9 outlines the accounting policies for such assets.

Tangible assets include provisions for the cost of restoring leased properties to their original condition, as required by the terms of the existing lease. The provision is based on the directors' best estimate of the expenditure required to restore the leased assets and the amounts provided are reviewed regularly and adjusted when necessary.

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

Depreciation is provided on the following basis:

|   |   |
|---|---|
| Freehold Property                             | - straight line over a period of up to 50 years                       |
| Leasehold property                            | - straight line over the shorter of 50 years or the term of the lease |
| Right of use assets                           | - 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 a period of up to 11 years 9 months              |

Refer to Note 14 for details of underlying assets recognised as right of use assets.

Freehold land is not depreciated.

During the prior year, the directors reassessed the useful economic life of some public service vehicles. The useful economic life was reduced from 15 years to 11 years 9 months in order to bring these in line with other assets within this category. See Note 2 for further information on the impact of this change on the financial statements.

Notes to the financial statements  
For the Year Ended 31 December 2022

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.5 IMPAIRMENT OF FIXED ASSETS**

Assets that are subject to depreciation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**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 which relate to the mobilisation costs of new bus routes are included at cost, less accumulated amortisation. The costs are capitalised when incurred and amortised when the bus route is fully operational. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset.

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.

Contract assets relating to income earned are expected to be settled within 12 months of the reporting date.

Notes to the financial statements  
For the Year Ended 31 December 2022

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1. ACCOUNTING POLICIES (CONTINUED)

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.

1.9 LEASES

Lessee accounting

For lease contracts within the scope of IFRS 16, a lease liability and corresponding right-of-use asset are recognised at the lease commencement date. The lease liability is initially measured at the present value of future lease payments, discounted using the incremental borrowing rate of the company (or rate implicit in the lease, if available). Future lease payments include fixed and variable payments, amounts repayable under a residual value guarantee, and the exercise price of future purchase options the company is reasonably certain to exercise (where applicable). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The liability is subsequently measured at amortised cost using the effective interest method, with the financing cost recognised within 'Interest payable and similar charges'.

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

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

Lessor accounting for sub-leases

Where the company is an intermediate lessor to fellow group undertakings, the head lease and sub-lease are accounted for separately. The treatment on the sub-lease is determined with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

For sub-leases determined to be finance leases, the company does not recognise a right-of-use asset (to the extent that it is subject to the sub-lease) and instead recognises a lease receivable, which is reflected in amounts owed by group undertakings.

For sub-leases determined to be operating leases, the right-of use asset relating to the head lease is not derecognised, with amounts receivable under the sub-lease recognised within other operating income.

Notes to the financial statements  
For the Year Ended 31 December 2022

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.10 CREDITORS**

Trade creditors are obligations to pay for goods or 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 are measured 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. In some instances employees have contracts of service with another group company. 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.

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.

Pensions

During the year the intermediate parent company Arriva plc operated a contract-based pension scheme which covered employees of the company. The assets of the scheme are held separately from those of the company in independently administered funds. Contributions payable under the contract-based scheme are charged to comprehensive income as they arise.

The company is deemed to be the principal employer of the Arriva London North and Arriva London South Pension Scheme, a defined benefit pension scheme which is recognised within the financial statements.

The amount recognised in the balance sheet in respect of the company's defined benefit pension scheme is the fair value of the scheme assets at the balance sheet date less the present value of the defined benefit obligation.

The defined benefit obligation is calculated using the projected unit credit method. Formal actuarial valuations are carried out by an independent actuary on a triennial basis, with updated calculations being prepared at each balance sheet date by qualified independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The cost of providing future benefits (service cost) was charged to comprehensive income as required.

Notes to the financial statements  
For the Year Ended 31 December 2022

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.11 EMPLOYEE BENEFITS (continued)**

Pensions (continued)

The return on scheme assets and interest obligation on scheme liabilities are included in other finance charges.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period they arise.

**1.12 PROVISIONS**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**1.13 GOVERNMENT GRANTS**

Government grants related to income comprise 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.

**1.14 CURRENT AND DEFERRED TAXATION**

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

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

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

Notes to the financial statements  
For the Year Ended 31 December 2022

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**1. ACCOUNTING POLICIES (CONTINUED)**

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

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary timing differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Deferred tax assets and liabilities are not discounted.

**1.15 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are recognised as a financial asset or a financial liability in the balance sheet at the trade date. Derivative financial instruments are initially and subsequently measured at fair value. At the point at which the contract is taken out, derivative financial instruments are classified as a hedging instrument for hedging cash flows arising from a contractual obligation or an expected transaction. Cash flow hedges are used to provide protection against fluctuations in the cash flows of financial assets or liabilities or anticipated transactions. When future cash flows are hedged, the hedging instruments are recognised with their fair value. Changes in value are initially recognised in other comprehensive income and are only recognised in the income statement 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. Where a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, that amount is removed from the cash flow hedge reserve and included in the carrying amount of the asset or liability.

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



Notes to the financial statements  
For the Year Ended 31 December 2022

**1. ACCOUNTING POLICIES (CONTINUED)**

**1.16 SHARES AND SHARE PREMIUM**

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

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

**2. 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 judgements 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.

There are no significant judgements taken by management, which do not have an associated estimate and which are not included in the below list of key sources of estimation uncertainty.

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

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

Impairment and useful economic lives of tangible assets

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

Where there is an indicator of impairment, management is required to perform an impairment review over tangible fixed assets. The significant increase in market interest rates in the year ended 31 December 2022 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.

**Notes to the financial statements  
For the Year Ended 31 December 2022**

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

### **Critical assumptions and key sources of estimation uncertainty (continued)**

#### Impairment and useful economic lives of tangible assets (continued)

Management have prepared an assessment which supports their view that no reversals of impairments exist at the reporting date, accordingly no tangible fixed asset impairment reversals have been recognised in the year. It is management's view that no reversals of impairments exist at the reporting date, accordingly no tangible fixed asset impairment reversals have been recognised in the year. The value-in-use for the CGU has been calculated through a discounted cash flow, using a post tax discount rate of 7.86% (2021: 6.00%) and a long term growth rate of 2.0% (2021: 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 assets and Note 1.4 for the useful economic lives for each class of assets.

#### Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, with those most likely to lead to a material change in the obligation including; life expectancy, future salary increase, inflation, future pension increases and the discount rate on corporate bonds. Management, in conjunction with group actuaries, estimate these factors in determining the net pensions obligation in the balance sheet. The assumptions reflect historical experience and current trends.

See Note 24 for the sensitivity analysis of potential impacts to the defined benefit pension obligation recorded at the balance sheet date for changes to assumptions for those factors.

Included within scheme assets is a partnership interest held by the scheme in a group company, Arriva ABC Scottish Limited Partnership (SLP), which was created as part of an asset backed contribution (ABC) arrangement during the year. The ABC is backed by loan notes issued by another group company, Arriva International Limited.

Further details on the ABC, including the distribution mechanism for the SLP's partners is provided in Note 24.

The value of the SLP interest at the balance sheet date has been calculated by independent actuaries. The following are considered the key valuation assumptions for the asset:

- The average assumed returns on the scheme's assets has been assessed using a 'market-consistent' approach, assuming returns each year are in line with the risk-free rate (i.e. the gilt yield);
- The volatility of returns on assets and volatility of interest rates (which affect whether scheme funding levels triggering changes to distributions will occur), have been modelled using market-based forward-looking data as at 31 December 2022;
- The cash flows due to the SLP have been weighted based on a probability of a default event in each future year for Arriva International Limited, which has been derived from the credit-default swap data of Deutsche Bahn AG (the ultimate parent of the company and of Arriva International Limited). This assumes a recovery rate in the event of a default of 40% (2021: 40%);
- The projected future cash flows, allowing for the possibility of default and hitting funding level triggers, have been discounted to present value using a risk-free rate (gilt yield) plus a premium of to reflect the illiquidity of the loan notes. At 31 December 2022 this illiquidity premium was 1% (2021: 1%).

## ARRIVA LONDON NORTH LIMITED

### Notes to the financial statements For the Year Ended 31 December 2022

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

##### Critical assumptions and key sources of estimation uncertainty (continued)

###### Insurance provisions

The company makes a provision for the amounts payable under insurance incidents in Note 21. The estimation of the insurance provision is based on an assessment of the expected settlement on known claims based on the experience of insurance claims handlers.

#### 3. GENERAL INFORMATION

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

The registered company number is 02328559 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and 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

|                                   | 2022<br>£000  | 2021<br>£000 |
|-----------------------------------|---------------|--------------|
| Profit on sale of tangible assets | 1,672         | 25           |
| Government grants receivable      | 4,175         | 4,533        |
| Management charge income          | 5,148         | 4,567        |
| Other income                      | 1,931         | 477          |
|                                   | <u>12,926</u> | <u>9,602</u> |

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**ARRIVA LONDON NORTH LIMITED**

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**Notes to the financial statements  
For the Year Ended 31 December 2022**

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**6. OPERATING PROFIT/(LOSS)**

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

|   | <b>2022</b>    | <b>2021</b>    |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Depreciation of tangible fixed assets (Note 14) | <b>2,113</b>   | <b>22,407</b>  |
| Impairment of tangible fixed assets             | <b>-</b>       | <b>68,348</b>  |
| Management fees                                 | <b>5,254</b>   | <b>4,643</b>   |
| Mobilisation costs                              | <b>88</b>      | <b>358</b>     |
| Profit on sale of tangible assets               | <b>(1,672)</b> | <b>(25)</b>    |
| Staff costs (Note 8)                            | <b>240,778</b> | <b>238,735</b> |
| Cost of stocks recognised as an expense         | <b>41,069</b>  | <b>32,731</b>  |
| Expenses related to short-term leases           | <b>633</b>     | <b>635</b>     |
|   | <b>=====</b>   | <b>=====</b>   |

**7. AUDITORS' REMUNERATION**

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

|                                   | <b>2022</b>  | <b>2021</b>  |
|-----------------------------------|--------------|--------------|
|                                   | <b>£000</b>  | <b>£000</b>  |
| Fees for the audit of the company | <b>177</b>   | <b>102</b>   |
|                                   | <b>=====</b> | <b>=====</b> |

# ARRIVA LONDON NORTH LIMITED

## Notes to the financial statements For the Year Ended 31 December 2022

### 8. STAFF COSTS

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

|                       | 2022<br>£000   | 2021<br>£000   |
|-----------------------|----------------|----------------|
| Wages and salaries    | 212,063        | 205,288        |
| Social security costs | 22,817         | 20,566         |
| Other pension costs   | 5,898          | 12,881         |
|                       | <u>240,778</u> | <u>238,735</u> |

The staff costs disclosed above of £240,778,000 (2021: £238,735,000) represent the total amounts paid to employees of both Arriva North Limited and Arriva South Limited, as Arriva North Limited initially makes disbursements on behalf of Arriva South Limited. Arriva London South Limited then reimburses Arriva London North Limited for those disbursements. Of the amounts disclosed above, £77,507,000 (2021: £73,872,000) relates to Arriva South Limited. The remaining cost of £163,271,000 (2021: £164,863,000) relates to the employees of Arriva London North Limited.

Other pension costs include the impact of a curtailment charge of £nil (2021: £4,000,000) relating to the closure to future accrual of the defined benefit pension scheme during 2021 (see Note 24).

Contributions to the Arriva London North and Arriva London South Pension Scheme in respect of ongoing service were also made by other participating employers. The contributions paid by other participating employers during the year totalled £nil (2021: £1,020,000).

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

|                | 2022<br>No.  | 2021<br>No.  |
|----------------|--------------|--------------|
| Drivers        | 4,155        | 4,419        |
| Engineering    | 316          | 323          |
| Administrative | 341          | 358          |
|                | <u>4,812</u> | <u>5,100</u> |

The numbers above include 1,489 (2021: 1,548) which relate to Arriva London South Limited.

### 9. DIRECTORS' EMOLUMENTS

|   | 2022<br>£000 | 2021<br>£000 |
|---|--------------|--------------|
| Recharges for directors' qualifying services to the company | 343          | 396          |
|   | <u>343</u>   | <u>396</u>   |

# ARRIVA LONDON NORTH LIMITED

## Notes to the financial statements For the Year Ended 31 December 2022

### 9. DIRECTORS' EMOLUMENTS (CONTINUED)

The directors did not receive any emoluments from the company in the financial year for their directorship (2021: £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.

The highest paid director's remuneration recharge from Arriva plc is £104,000 (2021: £122,000).

### 10. INTEREST RECEIVABLE AND SIMILAR INCOME

|  | 2022<br>£000 | 2021<br>£000 |
|--|--------------|--------------|
| Interest receivable from group companies | 421          | -            |
|  | <u>421</u>   | <u>-</u>     |

### 11. INTEREST PAYABLE AND SIMILAR EXPENSES

|  | 2022<br>£000 | 2021<br>£000 |
|--|--------------|--------------|
| Interest payable to group undertakings | 4            | 59           |
| Interest on lease liabilities          | 306          | 344          |
|  | <u>310</u>   | <u>403</u>   |

### 12. TAX ON PROFIT/(LOSS)

|  | 2022<br>£000 | 2021<br>£000   |
|--|--------------|----------------|
| <b>CORPORATION TAX</b>                         |              |                |
| Current tax on profits/(losses) for the year   | (2,283)      | (1,773)        |
| Adjustments in respect of prior years          | 2,844        | (144)          |
| <b>TOTAL CURRENT TAX CHARGE/(CREDIT)</b>       | <u>561</u>   | <u>(1,917)</u> |
| <b>DEFERRED TAX</b>                            |              |                |
| Origination and reversal of timing differences | -            | 2,110          |
| Adjustments in respect of prior years          | -            | (239)          |
| <b>TOTAL DEFERRED TAX CHARGE (NOTE 20)</b>     | <u>-</u>     | <u>1,871</u>   |
| <b>TAX ON PROFIT/(LOSS)</b>                    | <u>561</u>   | <u>(46)</u>    |

# ARRIVA LONDON NORTH LIMITED

## Notes to the financial statements For the Year Ended 31 December 2022

### 12. TAX ON PROFIT/(LOSS) (CONTINUED)

#### FACTORS AFFECTING CHARGE/(CREDIT) FOR THE YEAR

The tax assessed for the year is lower than (2021: *higher than*) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

|  | 2022<br>£000 | 2021<br>£000 |
|--|--------------|--------------|
| Profit/(loss) before tax   | 5,995        | (75,291)     |
| Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%) | 1,139        | (14,305)     |
| Effects of:  |              |              |
| Non-tax deductible amortisation of goodwill and impairment   | -            | 2            |
| Adjustments in respect of prior years  | 2,844        | (383)        |
| Depreciation in respect of ineligible assets   | 62           | 66           |
| Impact of rate change on deferred tax  | 1,074        | (11,824)     |
| Re-assessment of value of deferred tax assets  | (4,558)      | 26,398       |
| <b>TOTAL TAX CHARGE/(CREDIT) FOR THE YEAR</b>  | <b>561</b>   | <b>(46)</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.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Arriva Group is reviewing these rules to understand any potential impacts. The company does not account for deferred tax on top-up taxes and therefore, if these rules had been substantively enacted on the balance sheet date, there would have been no deferred tax accounting impact.

### 13. OTHER FINANCE CREDIT

|   | 2022<br>£000   | 2021<br>£000   |
|---|----------------|----------------|
| Interest cost on defined benefit obligation (Note 24) | 5,907          | 4,864          |
| Interest income on plan assets (Note 24)              | (7,650)        | (5,983)        |
|   | <b>(1,743)</b> | <b>(1,119)</b> |

**ARRIVA LONDON NORTH LIMITED**

**Notes to the financial statements  
For the Year Ended 31 December 2022**

**14. TANGIBLE ASSETS**

|                                     | Freehold<br>property<br>£000 | Leasehold<br>Property<br>£000 | Plant,<br>machinery,<br>fixtures<br>and motor<br>vehicles<br>£000 | Public<br>service<br>vehicles<br>£000 | Total<br>£000 |
|-------------------------------------|------------------------------|-------------------------------|---|---------------------------------------|---------------|
| <b>COST</b>                         |                              |                               |   |                                       |               |
| At 1 January 2022                   | 34,305                       | 15,555                        | 11,246  | 157,263                               | 218,369       |
| Additions                           | 804                          | 450                           | 428   | 4,299                                 | 5,981         |
| Disposals                           | -                            | (208)                         | (264)   | (10,084)                              | (10,556)      |
| At 31 December 2022                 | 35,109                       | 15,797                        | 11,410  | 151,478                               | 213,794       |
| <b>ACCUMULATED<br/>DEPRECIATION</b> |                              |                               |   |                                       |               |
| At 1 January 2022                   | 3,200                        | 8,242                         | 11,246  | 157,263                               | 179,951       |
| Charge for the year                 | 740                          | 881                           | 37  | 455                                   | 2,113         |
| Disposals                           | -                            | (208)                         | (264)   | (9,004)                               | (9,476)       |
| At 31 December 2022                 | 3,940                        | 8,915                         | 11,019  | 148,714                               | 172,588       |
| <b>NET BOOK VALUE</b>               |                              |                               |   |                                       |               |
| At 31 December 2022                 | 31,169                       | 6,882                         | 391   | 2,764                                 | 41,206        |
| At 31 December 2021                 | 31,105                       | 7,313                         | -   | -                                     | 38,418        |



# ARRIVA LONDON NORTH LIMITED

## Notes to the financial statements For the Year Ended 31 December 2022

### 14. TANGIBLE ASSETS (continued)

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

|                                 | Leasehold<br>property<br>£000 | Plant,<br>machinery,<br>fixtures<br>and motor<br>vehicles<br>£000 | Public<br>service<br>vehicles<br>£000 | Total<br>£000 |
|---------------------------------|-------------------------------|---|---------------------------------------|---------------|
| <b>Right-of-use assets</b>      |                               |   |                                       |               |
| <b>Cost</b>                     |                               |   |                                       |               |
| At 1 January 2022               | 15,555                        | 542   | 4,117                                 | 20,214        |
| Additions                       | 450                           | 115   | -                                     | 565           |
| Disposals                       | (208)                         | (137)   | (15)                                  | (360)         |
|                                 |                               |   |                                       |               |
| At 31 December 2022             | 15,797                        | 520   | 4,102                                 | 20,419        |
|                                 |                               |   |                                       |               |
| <b>Accumulated depreciation</b> |                               |   |                                       |               |
| At 1 January 2022               | 8,242                         | 542   | 4,117                                 | 12,901        |
| Charge for the year             | 881                           | 14  | -                                     | 895           |
| Disposals                       | (208)                         | (137)   | (15)                                  | (360)         |
|                                 |                               |   |                                       |               |
| At 31 December 2022             | 8,915                         | 419   | 4,102                                 | 13,436        |
|                                 |                               |   |                                       |               |
| <b>Net book value</b>           |                               |   |                                       |               |
| At 31 December 2022             | 6,882                         | 101   | -                                     | 6,983         |
|                                 |                               |   |                                       |               |
| At 31 December 2021             | 7,313                         | -   | -                                     | 7,313         |

### 15. STOCKS

|                               | 2022<br>£000 | 2021<br>£000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 1,626        | 1,632        |

Inventories are stated after provisions for impairment of £95,000 (2021: £116,000).

# ARRIVA LONDON NORTH LIMITED

## Notes to the financial statements For the Year Ended 31 December 2022

### 16. DEBTORS

|   | 2022<br>£000 | 2021<br>£000 |
|---|--------------|--------------|
| <b>Amounts falling due after more than one year</b> |              |              |
| Amounts owed by group undertakings                  | 5,182        | 6,276        |
| Other debtors                                       | 1,528        | 2,093        |
| Derivative financial instruments (Note 19)          | 531          | 1,501        |
|   | <b>7,241</b> | <b>9,870</b> |

Amounts owed by group undertakings includes £5,182,000 (2021: £6,276,000) in respect of amounts due from a fellow subsidiary under a sub-lease, with the terms of the sub-lease being in line with the head lessee's terms for the leased property.

Of this, £884,000 (2021: £1,792,000) is due after more than 5 years.

|  | 2022<br>£000  | 2021<br>£000  |
|--|---------------|---------------|
| <b>Amounts falling due within one year</b> |               |               |
| Trade debtors                              | 147           | 53            |
| Amounts owed by group undertakings         | 39,773        | 43,850        |
| Mobilisation costs                         | -             | 89            |
| Other debtors                              | 2,421         | 1,662         |
| Prepayments and accrued income             | 14,795        | 13,510        |
| Group relief recoverable                   | 680           | 2,683         |
| Derivative financial instruments (Note 19) | 3,141         | 1,414         |
|  | <b>60,957</b> | <b>63,261</b> |

Amounts owed by group undertakings includes £39,746,000 (2021: £35,522,000) of balances placed in a group wide cash pooling agreement with the ultimate parent company. The amounts placed are unsecured, earn interest at 2.66% and are repayable on demand. All amounts owed by group undertakings are unsecured and repayable on demand.

Amounts owed by group undertakings includes £1,163,000 (2021: £1,367,000) in respect of amounts due from a fellow subsidiary under a sub-lease, with the terms of the sub-lease being in line with the head lessee's terms for the leased property.

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

Included within prepayments and accrued income is £10,308,000 (2021: £11,215,000) relating to contract assets under IFRS 15.

# ARRIVA LONDON NORTH LIMITED

## Notes to the financial statements For the Year Ended 31 December 2022

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

|                                    | 2022<br>£000   | 2021<br>£000   |
|------------------------------------|----------------|----------------|
| Lease liabilities                  | 3,380          | 4,541          |
| Trade creditors                    | -              | 8              |
| Amounts owed to group undertakings | 174,852        | 179,282        |
| Other taxation and social security | 6,480          | 5,137          |
| Other creditors                    | 3,933          | 4,513          |
| Accruals and deferred income       | 11,586         | 13,524         |
|                                    | <u>200,231</u> | <u>207,005</u> |

Amounts owed to group undertakings includes £nil (2021: £2,000,000) of borrowings under a loan provided by the ultimate parent company. These borrowings were unsecured, incurred interest at 1.69% and the final installment was paid on 1 April 2022.

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

Accruals and deferred income includes contract liabilities under both contracts with TfL and newspaper contracts of £2,801,000 and £nil respectively (2021: £2,747,000 and £107,000).

The portion of the lease liability due within one year related to sub-leases from related parties amounted to £195,000 (2021: £191,000).

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

|                   | 2022<br>£000  | 2021<br>£000  |
|-------------------|---------------|---------------|
| Lease liabilities | 17,405        | 19,443        |
|                   | <u>17,405</u> | <u>19,443</u> |

Lease liabilities above include £6,676,000 (2021: £7,134,000) due after more than 5 years. The portion of the lease liability due more than one year related to sub-leases from related parties amounted to £1,030,000 (2021: £1,225,000).

The total cash outflow for leases was £2,212,000 (2021: £3,157,000).

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**ARRIVA LONDON NORTH LIMITED**

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**Notes to the financial statements  
For the Year Ended 31 December 2022**

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**19. DERIVATIVE FINANCIAL INSTRUMENTS**

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

The receipts/payments from energy derivatives are recognised in the 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 energy price derivatives recognised in the statement of comprehensive income are £nil (2021: £nil).

The amounts recognised within the financial statements are as follows:

|   | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
|   | <b>£000</b>  | <b>£000</b>  |
| Debtors: Amounts falling due within one year (Note 16)          | <b>3,141</b> | <b>1,414</b> |
| Debtors: Amounts falling due after more than one year (Note 16) | <b>531</b>   | <b>1,501</b> |
|   | <b>3,672</b> | <b>2,915</b> |

# ARRIVA LONDON NORTH LIMITED

## Notes to the financial statements For the Year Ended 31 December 2022

### 20. DEFERRED TAX ASSET/(LIABILITY)

|  | 2022     | 2021     |
|--|----------|----------|
|  | £'000    | £'000    |
| At 1 January                                     | -        | 11,367   |
| Charged to loss for the financial year (Note 12) | -        | (1,870)  |
| Charged to other comprehensive income            | -        | (9,497)  |
| <b>At 31 December</b>                            | <b>-</b> | <b>-</b> |

The deferred tax asset/(liability) is made up as follows:

|                                   | 2022     | 2021     |
|-----------------------------------|----------|----------|
|                                   | £'000    | £'000    |
| Accelerated capital allowances    | 29,272   | 28,622   |
| Short term temporary differences  | 13,788   | 18,986   |
| Pension surplus                   | (10,605) | (22,139) |
| Derivative financial instruments  | (918)    | (729)    |
| Tax losses                        | 6,250    | -        |
| Deferred tax asset not recognised | (37,787) | (24,740) |
|                                   | -        | -        |

Temporary differences in relation to pensions relate to pension contributions which have been either paid in the past or will be paid in the future which have increased the value of the pension surplus, but where no tax relief has been enjoyed.

At 31 December 2022 the company had an unrecognised deferred tax asset of £37,787,000 (2021: £24,740,000) comprising deductible temporary differences in relation to fixed assets, tax losses and other short term temporary differences. The gross deductible temporary differences amount to £151,148,000 (2021: £98,960,000).

It is not considered appropriate to recognise the asset at the year end due to the uncertainty around the availability of future profits.

The prior years deferred tax categories have been restated to reflect the correct position as at the prior year end. This has no impact on any statutory financial statement.

# ARRIVA LONDON NORTH LIMITED

## Notes to the financial statements For the Year Ended 31 December 2022

### 21. PROVISIONS FOR LIABILITIES

|                            | Dilapidations<br>£000 | Insurance<br>£000 | Legal<br>£000 | Total<br>£000 |
|----------------------------|-----------------------|-------------------|---------------|---------------|
| At 1 January 2022          | 1,352                 | 8,305             | 626           | 10,283        |
| Usage                      | (218)                 | (3,703)           | (552)         | (4,473)       |
| Additions                  | 194                   | 8,069             | 22            | 8,285         |
| Releases                   | -                     | (2,849)           | -             | (2,849)       |
| <b>At 31 December 2022</b> | <b>1,328</b>          | <b>9,822</b>      | <b>96</b>     | <b>11,246</b> |

The dilapidations provision represents the directors' best estimate of future dilapidation costs arising from existing contractual obligations. Included within dilapidations is £105,000 (2021: £653,000) relating to asset retirement obligations. Once exited, the dilapidations are expected to be settled.

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. Once the claim has been agreed, the provision is expected to be settled.

The legal provision represents the directors' best estimate of future costs to settle a potential legal claim against the company.

### 22. CALLED UP SHARE CAPITAL

|   | 2022<br>£000 | 2021<br>£000 |
|---|--------------|--------------|
| <b>Authorised</b>   |              |              |
| 21,000,000 (2021: 21,000,000) Ordinary shares of £1.00 each | 21,000       | 21,000       |
| <b>Allotted, called up and fully paid</b>                   |              |              |
| 8,141,501 (2021: 8,141,501) Ordinary shares of £1.00 each   | 8,142        | 8,142        |

### 23. CAPITAL COMMITMENTS

At 31 December 2022 and 2021 the company had capital commitments as follows:

|                               | 2022<br>£000 | 2021<br>£000 |
|-------------------------------|--------------|--------------|
| Property, plant and equipment | 9,407        | 867          |
|                               | <b>9,407</b> | <b>867</b>   |

The commitments at 31 December 2022 primarily relate to orders of public service vehicles.

**Notes to the financial statements  
For the Year Ended 31 December 2022**

**24. PENSION COMMITMENTS**

The company is deemed to be the principal employer of the Arriva London North and Arriva London South Pension Scheme which is recognised within the financial statements. Contributions to the scheme are based upon actuarial advice following the most recent of a regular series of valuations of the fund by independent actuaries. The scheme is financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees. During 2021 the scheme was closed to future accrual.

At 31 December 2022 the UK intermediate parent company, Arriva plc, operated a contract based pension scheme and defined benefit schemes providing benefits to certain employees within Arriva London South Limited and Arriva London North Limited, to which the company contributed. The schemes are the Arriva Passenger Services Pension Plan (APSPP) and the Arriva Passenger Services National Pension Scheme (APSNPS) and are financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

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

**APSPP and APSNPS**

Contributions to the defined benefit scheme, the APSPP, are based upon actuarial advice following the most recent actuarial valuation of the funds. The latest actuarial valuations were performed as at 5 April 2020, using the Projected Unit Method.

Contributions to the APSNPS are based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 6 April 2022, using the Projected Unit Method.

The pension cost charge for the year represents contributions payable by the company to both schemes and amounted to £226,000 (2021: £563,000).

**IAS 19 'Employee Benefits' (revised 2011)**

The calculations used to assess the IAS 19 'Employee Benefits' (revised 2011) of the Arriva London North and Arriva London South Pension Scheme are based on the most recent actuarial valuations, updated to 31 December 2022 by qualified independent actuaries, Willis Towers Watson Plc. The scheme's assets are stated at their market value at 31 December 2022.

**Contract based pension scheme**

The company participates in a contract-based scheme operated by Arriva plc. The pension charge for the year represents contributions payable by the company to the scheme and amounted to £3,960,000 (2021: £3,351,000).

# ARRIVA LONDON NORTH LIMITED

## Notes to the financial statements For the Year Ended 31 December 2022

### 24. PENSION COMMITMENTS (CONTINUED)

The amounts recognised in the balance sheet are as follows:

|   | 2022<br>£000  | 2021<br>£000  |
|---|---------------|---------------|
| Present value of funded obligations           | (212,526)     | (316,114)     |
| Fair value of scheme assets                   | 254,942       | 404,665       |
|   | <u>42,416</u> | <u>88,551</u> |
| Pension surplus                               |               |               |
| Experience adjustments on scheme liabilities  | (11,310)      | 1,604         |
| Demographic assumptions on scheme liabilities | 4,837         | 674           |
| Financial assumptions on scheme liabilities   | 104,265       | 18,351        |
|   | <u>97,792</u> | <u>20,629</u> |

The amounts recognised in the statement of comprehensive income are as follows:

|   | 2022<br>£000 | 2021<br>£000   |
|---|--------------|----------------|
| Current service cost                                  | -            | (2,487)        |
| Interest cost on defined benefit obligation (Note 13) | (5,907)      | (4,864)        |
| Interest income on plan assets (Note 13)              | 7,650        | 5,983          |
| Past service cost                                     | -            | -              |
| Curtailment   | -            | (4,000)        |
| Pension administration charges - paid by the scheme   | (1,307)      | (1,153)        |
|   | <u>436</u>   | <u>(6,521)</u> |

Changes in the present value of the defined benefit obligation are as follows:

|   | 2022<br>£000          | 2021<br>£000          |
|---|-----------------------|-----------------------|
| At 1 January                                | 316,114               | 336,901               |
| Benefits paid                               | (11,703)              | (12,541)              |
| Current service cost                        | -                     | 2,487                 |
| Interest cost on defined benefit obligation | 5,907                 | 4,864                 |
| Members' contributions paid                 | -                     | 1,032                 |
| Actuarial (gain)/loss                       | (97,792)              | (20,629)              |
| Past service cost                           | -                     | -                     |
| Curtailment                                 | -                     | 4,000                 |
| <b>At 31 December</b>                       | <u><b>212,526</b></u> | <u><b>316,114</b></u> |



## ARRIVA LONDON NORTH LIMITED

### Notes to the financial statements For the Year Ended 31 December 2022

#### 24. PENSION COMMITMENTS (CONTINUED)

The curtailment reflects the impact on the defined benefit pension obligations arising from the closure to future accrual of the scheme during the year.

Changes in the fair value of scheme assets are as follows:

|  | 2022<br>£000   | 2021<br>£000   |
|--|----------------|----------------|
| At 1 January                               | 404,665        | 415,527        |
| Benefits paid                              | (11,703)       | (12,541)       |
| Interest income on plan assets             | 7,650          | 5,983          |
| Return on plan assets (excluding interest) | (144,363)      | (6,635)        |
| Pension administration charges             | (1,307)        | (1,153)        |
| Employer contributions                     | -              | 2,452          |
| Members contributions                      | -              | 1,032          |
| <b>At 31 December</b>                      | <b>254,942</b> | <b>404,665</b> |

The actual return on plan assets was a loss of £136,713,000 (2021: £652,000).

In 2019 DB was released from the guarantees made to certain of the Arriva group's pension schemes (including the Arriva London North and Arriva London South Pension Scheme). The key criteria to achieve the release was that each scheme had assets equal to 105% of the liabilities measured on a "Section 179" basis.

The method of achieving the necessary level of funding in the Arriva London North and Arriva London South Pension Scheme was for the Arriva group to both pay a special pension contribution and to enter into an Asset Backed Contribution or ABC arrangement involving a newly formed Scottish Limited Partnership – Arriva ABC Scottish Limited Partnership (the "SLP"). The combination of the additional funding and the improvement in security that these arrangements provided to that scheme enabled the scheme's trustees to agree to the release of the guarantee.

The ABC arrangement involves loan notes issued by another group company, Arriva International Limited, to the SLP. The SLP partners are entitled to an annual distribution of income from the loan notes, for a period of up to 20 years. The total value of distributions are fixed at £13,000,000 per year, however the share of distributions attributable to each SLP partner is variable.

The value of SLP distributions receivable by the scheme is dependent on the results of quarterly scheme funding level checks on a Technical Provisions basis. If the scheme has a funding level of more than 100% at two consecutive funding checks, distributions to the scheme will be suspended, with cash flows redirected to the other partners. In the event of a suspension of distributions to the scheme, these will only resume when the funding level is less than 100% at a subsequent quarterly funding level check.

The cumulative amount of actuarial gains and losses recognised in other comprehensive income was £150,966,000 loss (2021: £104,395,000 loss).

The group expects to pay £4,050,000 to the defined benefit pension scheme in 2023 under the ABC.

# ARRIVA LONDON NORTH LIMITED

## Notes to the financial statements For the Year Ended 31 December 2022

### 24. PENSION COMMITMENTS (CONTINUED)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

|   | 2022 | 2021 |
|---|------|------|
|   | %    | %    |
| Rate of increase in salaries            | 1.0  | 1.0  |
| Rate of increase in pensions in payment | 3.0  | 3.2  |
| Rate of increase in deferred pensions   | 2.3  | 2.5  |
| Discount rate                           | 4.8  | 1.9  |
| Inflation assumption                    | 3.3  | 3.5  |

The average life expectancy for members aged 65 are male: 19 years and female: 23 years (*year ended 31 December 2021 - male: 20 years and female: 22 years*).

The average life expectancy at 65 for members aged 45 are male: 21 years and female: 24 years (*year ended 31 December 2021 - male: 22 years and female: 24 years*).

The major categories of scheme assets as a percentage of total scheme assets are as follows:

|           | 2022  | 2021  |
|-----------|-------|-------|
| Equities  | 0.0%  | 10.6% |
| Bonds     | 76.9% | 67.2% |
| ABC Asset | 11.3% | 13.6% |
| Others    | 11.8% | 8.6%  |

The major categories of scheme assets as a value of total scheme assets are as follows:

|           | 2022    | 2021    |
|-----------|---------|---------|
|           | £000    | £000    |
| Equities  | -       | 42,985  |
| Bonds     | 195,967 | 271,935 |
| ABC Asset | 28,956  | 55,034  |
| Others    | 30,019  | 34,801  |

All scheme equities and bonds are quoted. The ABC assets and other assets are unquoted.

The sensitivity analysis for the decrease/(increase) in the defined benefit obligation balance is as follows:

|   | 2022     | 2021     |
|---|----------|----------|
|   | £000     | £000     |
| Calculated with +1% discount rate                       | 24,049   | 45,626   |
| Calculated with -1% discount rate                       | (27,393) | (53,891) |
| Calculated with +1% inflation rate                      | (13,903) | (32,693) |
| Calculated with -1% inflation rate                      | 13,172   | 29,903   |
| Calculated with +0.5% compensation increase             | -        | -        |
| Calculated with +0.5% pension increase rate             | (16,746) | (24,946) |
| Calculated with increased expectation of life of 1 year | (5,526)  | (13,277) |

At 31 December 2022 the weighted average remaining duration/maturity of the defined benefit obligation was 13 years (2021: 16 years).

**Notes to the financial statements  
For the Year Ended 31 December 2022**

**25. RESERVES**

**Share premium account**

Consideration received for shares issued above their nominal value net of transaction costs.

**Cash flow hedge reserve**

Cumulative effective portion of gains and losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently transferred to the cost of inventory or recycled to profit or loss as appropriate.

**Profit and loss account**

The profit and loss reserve records the cumulative profit and loss net of distribution to shareholders.

**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 to wholly-owned subsidiaries.

**27. POST BALANCE SHEET EVENTS**

On 19 October 2023, Deutsche Bahn AG ('DB') announced an agreement had been signed under which Arriva plc, the company's intermediate parent company, would be sold to I-Squared Capital. The transaction is expected to complete in 2024, subject to the customary closing conditions, including the approval of the DB Supervisory Board and the Federal Ministry for Digital and Transport of the Federal Republic of Germany.