2

Registered number: 03979826

GRAND CENTRAL RAILWAY COMPANY LIMITED

Annual report and financial statements

For the Year Ended 31 December 2019

GRAND CENTRAL RAILWAY COMPANY LIMITED

Company Information

Directors	S English C Bainbridge D Hatfield R H McClean
Registered number	03979826
Registered office	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

Contents

Strategic report
For the Year Ended 31 December 2019

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

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the provision of passenger train services.

REVIEW OF BUSINESS

The company made a profit before tax of £9.1m (2018: £9.5m). The decrease in profit before tax primarily reflects the impact of increased maintenance and staff costs, unmitigated loss of revenue caused by extensive service disruption associated with Network Rail infrastructure works, higher depreciation charges following investment in fleet, which more than offset the £3.1m increase in passenger revenues.

At 31 December 2019 the company had net assets of £20.1m (2018: £13.6m). The increase in net assets reflects the profit for the financial year less the payment of a dividend of £3.0m (2018: £8.0m) to the immediate parent company during the year. The impact on the balance sheet on adoption of IFRS 16 and at 31 December 2019 are reflected in Notes 25, 14, 17 and 18.

Subsequent to the balance sheet date, the company's financial performance and position have been severely impacted by the coronavirus ('Covid-19') pandemic, which resulted in significant reductions in passenger numbers from March 2020 onwards. Services are currently suspended at the date of signing the financial statements however, the business is planning to recommence operations in line with the government relaxation of Covid-19 travel restrictions which are currently planned for the end of March.

As an 'open access' operator, the company does not have a concession or franchise contract with the Department for Transport in respect of the routes and services that it operates and is fully exposed to the revenue risk from changes in passenger numbers. Unlike other train operating companies, the company has not benefited from any emergency government revenue support or funding to compensate for the financial impact of reduced passenger revenues arising due to Covid-19.

To protect the financial position of the company during these unprecedented times, the directors took the difficult decision to suspend all its services on 3 April 2020 and to utilise the Government's furlough scheme during the period of suspension. A phased return of services commenced on 26 July 2020, with a return to pre-Covid-19 service levels on both the West Riding and North East routes in September 2020. On 11 September 2020, the company announced that its previous plan to launch a North West route train service between Blackpool and London was no longer viable due to the economic uncertainty and changed travel patterns caused by Covid-19. The company also responded to further National lockdowns and associated Government travel restrictions in England in 2020/21 by amending and suspending services on various occasions.

Information on further actions currently being undertaken or planned by the company in response to Covid-19 are outlined in 'Future Developments' on page 2.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The most significant risk and uncertainty affecting the company relates to the impact of the coronavirus or Covid-19 pandemic on demand for the company's services and whether sufficient financial support will be available to enable the company to continue to operate. Further discussion of these risks and uncertainties in the context of the group as a whole, is provided in the annual report of the UK intermediate parent company, Arriva plc, which does not form part of this report.

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

FUTURE DEVELOPMENTS

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

The company's open access arrangements and resulting absence of any revenue support from the UK government means the ongoing impact of Covid-19 on travel patterns, and as a result passenger revenues, will continue to negatively impact the company's financial performance and position. The directors are in regular discussion with its parent group on potential funding options including potential additional borrowing facilities and equity that would strengthen the company's financial position and mitigate any near term solvency issues that may arise from a prolonged continuation of the current difficult trading conditions.

Liquidity and funding risk
The company voluntarily participates in a group cash and credit facility 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. Whilst the company had a positive cash pooling balance at the balance sheet date, subsequently the company has utilised a DB credit facility under this arrangement, which the directors expect will continue to be utilised over the going concern assessment period to meet the company's operational requirements. Under this arrangement substantially all the company's cash and utilised credit facility balances are swept into the group cash pool at the end of each business day.

The company is currently dependent on the DB credit facility for daily access to the cash flows required to operate over the assessment period to support the going concern assertion. This facility is renewed on a monthly basis by DB to agree both the continuation and limit of the facility and is not formally committed for any period. The company will require increases to the current facility available to meet the company's operational requirements over the next 12 months.

Given the facility could be withdrawn each month, the directors acknowledge that this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. However, the directors consider this risk to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice. Since inception of the pooling arrangement, the company has never experienced any issue being able to draw upon its cash and available facility balances within the group cash pool to settle its liabilities as they fall due.

Trading risk
In completing their going concern assessment, the directors have also considered the expected impact of Covid-19 pandemic on the company's financial position, based on severe but plausible downside scenarios, along with associated management actions to mitigate those impacts on the company's cash and DB credit facility position.

The directors have assessed the company's expected DB credit facility funding requirements with its parent group and will require an increased facility to cover their base case cash requirements or to cover their severe but plausible downside cash requirements over the next 12 months. The company is currently trading in line with their base case plan. The directors have agreed a funding plan for the company with DB which would provide sufficient additional funding to meet their potential severe but plausible downside cash requirements. The directors consider the risk that the additional funding is not available to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice. As there is no guarantee that a formal commitment will be in place for this additional funding under the DB credit facility, this also indicates the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

FUTURE DEVELOPMENTS (continued)

Outcome of directors' going concern assessment
The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to have full and immediate access to its pooled credit facility balances with DB and that management actions over the assessment period will be sufficient, including agreement of additional funding, such that adequate financing will be in place and that the company will continue to operate for the foreseeable future.

However, the conditions referred to above 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.

SECTION 172 STATEMENT

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

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

- Deutsche Bahn AG
- Customers (including passengers, Network Rail and the ORR under the open access agreement)
- Employees
- Suppliers
- Local communities in which the company operates.

During the financial year ended 31 December 2019 the directors, having regard to the financial performance and position of the company, and ability to continue to meet the expectations of its key stakeholders, made a principal decision to pay a dividend to its parent company Arriva UK Trains Limited. The directors considered the business implications and reserves and determined that the payment of the dividend leaves the company with sufficient resources and would not impact the company's long-term success.

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

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

During the financial year ended 31 December 2019, the company engaged and continues to engage with customers and customer groups to ensure a positive customer experience (including for passengers and Network Rail).

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

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

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

SECTION 172 STATEMENT (continued)

The implementation of the strategy and policies of the company, including those relating to its relationships with key stakeholders, are managed locally by the board of the company, and oversight is provided by the Arriva UK Trains Leadership team. Any major matters of interest are then communicated to the Arriva Management Board (the "AMB"), a subcommittee of the board of Arriva plc. The membership of the AMB includes the Managing Director of the UK Trains division.

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

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

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

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

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

KEY PERFORMANCE INDICATORS

The Management Board of Deutsche Bahn AG, the 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 company. The development performance and position of the group, including this company, is discussed in the Deutsche Bahn group's Integrated Report which does not form part of this report.

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

R H McClean
Director

Directors' report
For the Year Ended 31 December 2019

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

RESULTS AND DIVIDENDS

The profit for the year, after tax, amounted to £8,851,000 *(2018 - £8,232,000)*.

The company paid a dividend during the year of £3,000,000 (2018 - £8,000,000).

DIRECTORS

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

S English
A Furlong (resigned 3 December 2020)
M A Dale (resigned 3 January 2020)
D Hatfield
R H McClean
C D D Burchell (resigned 9 October 2020)
C Bainbridge (appointed 14 January 2020)
A J Cooper (resigned 31 May 2019)
M E C Hewitt (resigned 1 January 2020)

POST BALANCE SHEET EVENTS

Details of post balance sheet events are detailed in Note 26 to the financial statements.

EMPLOYEE ENGAGEMENT

The company recognises that its employees are key to its success and it is committed to creating a working environment where everyone has the opportunity to learn, develop and contribute to the success of the company, whilst working within a common set of values.

The Arriva group conducts biennial employee surveys which are used to highlight areas of improvement, and areas of concern. The Arriva Management Board oversees initiatives to improve any areas of improvement highlighted by the surveys, as well as maintaining those areas highlighted as working well. The results of the employee surveys are communicated via the group's intranet and yammer pages, in addition meetings are held by line managers with their teams in order to address areas of concern and seek employee input to find solutions.

Information on matters impacting employees, including initiatives arising following the employee surveys, are communicated to employees through briefings via line managers, email bulletins and using the Arriva group's intranet. There is also a weekly update on the Arriva group's intranet highlighting success stories. The update is also used to improve connectivity within the Arriva group and to promote working together as One Arriva.

In 2019 Arriva group launched 'GAIN' for Mental Health, which is the Arriva group's Global Arriva Inclusion Network aimed at promoting support for mental health, and encouraging employees to share their stories in order to tackle mental health concerns, and provide support to the wider Arriva group.

The company aspires to be an employer of choice and to employ a diverse workforce with the skills, abilities and attitudes to meet the company's business objectives and needs. The company's aim is to provide appropriate remuneration, benefits and conditions of employment which serve to attract, retain, motivate and reward its employees. The company has, subject to the restraints of commercial confidentiality, a policy of employee involvement and inclusion, by making information available to employees about recent and future developments and business activities of the company, including financial and economic factors that may have impacted on the company's performance.

The company supports suitable employees to complete the Arriva L3 Team Leader/Supervisor Apprenticeship course, which is provided via the Institute of Rail Operators. This apprenticeship course covers matters relating to management knowledge, skill areas and behavioural management development. This apprenticeship course is aimed at equipping the individual to move into higher level roles and participating in further development courses offered by the Arriva group, such as 'Lift off for Leadership' and 'Emerging Leaders' (as detailed further below).

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

In 2019 Arriva group launched the 'Emerging Leaders' programme which is aimed at identifying and developing future leaders whose next step is a senior manager role, and who demonstrate the performance, potential and aspiration required to progress to this. As part of this programme candidates are required to complete an assessment for development which gives 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 results in a development plan, highlighting what steps they can take to help them achieve their career goals. Following the assessment certain candidates progress to the next phase, which includes leadership workshops and projects.

Also, in 2019, the 'Lift Off for Leadership' programme was launched. This programme is for individuals who are still in the early stages of their career, who have demonstrated the potential to be a leader of the future. The programme focuses on improving readiness for broader roles. Participants join a 12-month programme of workshops and ongoing development activities, including coaching and job shadowing.

DISABLED EMPLOYEES

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Following the acquisition of Arriva by Deutsche Bahn in 2010, Deutsche Bahn AG is the principal source of funding for Arriva plc and its subsidiaries. The Arriva group's financial risks, including liquidity risks and those arising from interest rates, commodity prices and currency fluctuations are managed in accordance with the Deutsche Bahn treasury policy. For further details relating to financial risk management please refer to the Deutsche Bahn 2019 Integrated Report.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

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

- Deutsche Bahn AG
- Customers (including passengers, Network Rail and the ORR under the open access agreement)
- Employees
- Suppliers
- Local communities in which the company is based.

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

The implementation of strategies and policies of the company, including those relating to its relationships with key stakeholders, are managed locally by the board of the company, and oversight is provided by the Arriva UK Trains Leadership team. Any major matters of interest are then communicated to the Arriva Management Board (the "AMB"), a subcommittee of the board of Arriva plc. The membership of the AMB includes the Managing Director of the UK Trains division.

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

- Regular communication, with Transport Focus, which is a lobbying group acting on behalf of passengers. This ensures an ongoing dialogue about important issues affecting customers.

- Receiving feedback and complaints directly from customers via the company's Customer Relations service. Key issues arising from the Customer Relations service, along with volumes and agreed KPIs, are reported to the company's management team to ensure passenger issues are being heard and addressed.

- The company participates in the National Rail Passenger Satisfaction Survey ("NRPS"), a twice-yearly survey of passenger views across all train operators in the UK.

Further information on how the directors have fostered relationships with suppliers and the local communities in which the company is based is detailed in the Section 172 statement in the Strategic Report.

Further information on how the company has fostered relationships with its employees during the financial year ended 31 December 2019 is provided in the Employee Engagement section of this report.

MATTERS COVERED IN THE STRATEGIC REPORT

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

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the 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 these 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 judgments and accounting estimates that are reasonable and prudent; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the and enable them to ensure that the financial statements comply with the Companies Act 2006.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

This report was approved by the board on 12 March 2021 and signed on its behalf.

R H McClean
Director

Independent auditors' report to the members of Grand Central Railway Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Grand Central Railway Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern.

The company is reliant on the continued funding from its ultimate parent undertaking, Deutsche Bahn AG (DB) in the form of a credit facility. The credit facility is renewed on a monthly basis and is not formally committed for any period, therefore, it could be withdrawn during the period of 12 months from the date of approval of the financial statements, which may result in the company not being able to continue to meet its operational funding requirements.

In addition, to cover their base case cash requirements over the next 12 months the company needs to agree an increase to its credit facility limit with DB. However, there is no guarantee or formal commitment in place for an increase in the DB credit facility.

These conditions, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement In Respect Of The Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Craig Willis

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

Statement of comprehensive income
For the Year Ended 31 December 2019

	Note	2019 £000	*2018 £000*
Turnover	4	**54,545**	*51,413*
Cost of sales		**(39,023)**	*(36,603)*
GROSS PROFIT		**15,522**	*14,810*
Administrative expenses		**(5,866)**	*(5,413)*
OPERATING PROFIT	5	**9,656**	*9,397*
Interest receivable and similar income	9	**83**	*93*
Interest payable and similar charges	10	**(602)**	-
Profit before tax		**9,137**	*9,490*
Tax on profit	11	**(286)**	*(1,258)*
PROFIT FOR THE FINANCIAL YEAR		**8,851**	*8,232*
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Changes in market value of cash flow hedges (Note 20)		**750**	*788*
Deferred tax attributable to changes in market value of cash flow hedges	19	**(128)**	*(134)*
		622	*654*
Total comprehensive income for the financial year		**9,473**	*8,886*

The notes on pages 15 to 35 form part of these financial statements.

Balance sheet
As at 31 December 2019

	Note		2019 £000		2018 £000
FIXED ASSETS					
Intangible assets	13		**733**		*87*
Tangible assets	14		**40,489**		*5,573*
			41,222		*5,660*
CURRENT ASSETS					
Stocks	15	**39**		*41*	
Debtors	16	**16,459**		*17,130*	
Cash at bank and in hand		**13**		*24*	
		16,511		*17,195*	
Creditors: amounts falling due within one year	17	**(11,907)**		*(8,523)*	
NET CURRENT ASSETS			**4,604**		*8,672*
TOTAL ASSETS LESS CURRENT LIABILITIES			**45,826**		*14,332*
Creditors: amounts falling due after more than one year	18		**(25,776)**		*(755)*
			20,050		*13,577*
NET ASSETS			**20,050**		*13,577*
CAPITAL AND RESERVES					
Called up share capital	21		**100**		*100*
Share premium account			**10,304**		*10,304*
Cash flow hedge reserve			**(473)**		*(1,095)*
Profit and loss account			**10,119**		*4,268*
TOTAL SHAREHOLDERS' FUNDS			**20,050**		*13,577*

The financial statements on pages 12 to 35 were approved and authorised for issue by the board and were signed on its behalf on 12 March 2021.

R H McClean
Director

The notes on pages 15 to 35 form part of these financial statements.

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

	Called up share capital	Share premium account	Cash flow hedge reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2018	**100**	**10,304**	**(1,749)**	**4,036**	**12,691**
Comprehensive income for the year					
Profit for the financial year	-	-	-	8,232	8,232
Changes in market value of cash flow hedges	-	-	788	-	788
Deferred tax attributable to changes in market value of cash flow hedges	-	-	(134)	-	(134)
Other comprehensive income for the financial year	-	-	654	-	654
Total comprehensive income for the financial year	-	-	654	8,232	8,886
Dividends paid (Note 12)	-	-	-	(8,000)	(8,000)
At 31 December 2018	**100**	**10,304**	**(1,095)**	**4,268**	**13,577**
Comprehensive income for the year					
Profit for the financial year	-	-	-	8,851	8,851
Changes in market value of cash flow hedges	-	-	750	-	750
Deferred tax attributable to changes in market value of cash flow hedges	-	-	(128)	-	(128)
Other comprehensive income for the financial year	-	-	622	-	622
Dividends paid (Note 12)	-	-	-	(3,000)	(3,000)
At 31 December 2019	**100**	**10,304**	**(473)**	**10,119**	**20,050**

The notes on pages 15 to 35 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

During the year the company adopted IFRS 16 "Leases", which has had a material impact on the company's financial statements (see Note 25). There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

GOING CONCERN

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

The company's open access arrangements and resulting absence of any revenue support from the UK government means the ongoing impact of Covid-19 on travel patterns, and as a result passenger revenues, will continue to negatively impact the company's financial performance and position. The directors are in regular discussion with its parent group on potential funding options including potential additional borrowing facilities and equity that would strengthen the company's financial position and mitigate any near term solvency issues that may arise from a prolonged continuation of the current difficult trading conditions.

<u>Liquidity and funding risk</u>
The company voluntarily participates in a group cash and credit facility 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. Whilst the company had a positive cash pooling balance at the balance sheet date, subsequently the company has utilised a DB credit facility under this arrangement, which the directors expect will continue to be utilised over the going concern assessment period to meet the company's operational requirements. Under this arrangement substantially all the company's cash and utilised credit facility balances are swept into the group cash pool at the end of each business day.

The company is currently dependent on the DB credit facility for daily access to the cash flows required to operate over the assessment period to support the going concern assertion. This facility is renewed on a monthly basis by DB to agree both the continuation and limit of the facility and is not formally committed for any period. The company will require increases to the current facility available to meet the company's operational requirements over the next 12 months.

1. ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN (continued)

Given the facility could be withdrawn each month, the directors acknowledge that this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. However, the directors consider this risk to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice. Since inception of the pooling arrangement, the company has never experienced any issue being able to draw upon its cash and available facility balances within the group cash pool to settle its liabilities as they fall due.

Trading risk
In completing their going concern assessment, the directors have also considered the expected impact of Covid-19 pandemic on the company's financial position, based on severe but plausible downside scenarios, along with associated management actions to mitigate those impacts on the company's cash and DB credit facility position.

The directors have assessed the company's expected DB credit facility funding requirements with its parent group and will require an increased facility to cover their base case cash requirements or to cover their severe but plausible downside cash requirements over the next 12 months. The company is currently trading in line with their base case plan. The directors have agreed a funding plan for the company with DB which would provide sufficient additional funding to meet their potential severe but plausible downside cash requirements. The directors consider the risk that the additional funding is not available to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice. As there is no guarantee that a formal commitment will be in place for this additional funding under the DB credit facility, this also indicates the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Outcome of directors' going concern assessment
The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to have full and immediate access to its pooled credit facility balances with DB and that management actions over the assessment period will be sufficient, including agreement of additional funding, such that adequate financing will be in place and that the company will continue to operate for the foreseeable future.

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

1.2 TURNOVER

Turnover includes amounts attributable to train operating companies, predominantly based on models of route usage, by the Rail Settlement Plan in respect of passenger receipts, net of value added tax. Turnover also includes income related to on-board catering sales and the hire of a unit and crew. 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. ACCOUNTING POLICIES (CONTINUED)

1.3 LEASES

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

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

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

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

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

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

1.4 INTANGIBLE ASSETS AND AMORTISATION

Intangible assets are included at cost less accumulated amortisation. Intangible assets relate to mobilisation costs for a centre of excellence and service centre valued at cost less accumulated amortisation.

At the start of the project the assets are capitalised at cost and are amortised on a straight-line basis over the agreement term, that being the length of the project. Amortisation charges are included within administration costs in the statement of comprehensive income.

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.

1.5 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.5 TANGIBLE ASSETS (continued)

Depreciation

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

Depreciation is provided on the following basis:

Plant, machinery and motor vehicles	- 10% to 33% straight line
Fixtures and fittings	- 10% straight line
Right-of-use assets	- period of the lease
Heavy maintenance	- period of the rolling stock lease

1.6 STOCKS

Stocks are valued at the lower of cost, on a weighted average basis, and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.7 DEBTORS

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

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

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

1.8 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.

1.9 CREDITORS

Creditors are obligations to pay for goods / services that have been acquired in the ordinary course of business. Trade and other creditors are initially stated at fair value and subsequently at amortised cost.

1. ACCOUNTING POLICIES (CONTINUED)

1.10 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

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

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

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.11 CURRENT AND DEFERRED TAXATION

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

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

Where companies within the UK Group make payments for tax losses where the amount paid exceeds the tax value of the losses, any excess is reported as a movement through equity.

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

1. ACCOUNTING POLICIES (CONTINUED)

1.12 DERIVATIVES

Derivative financial instruments are recognised as a financial asset or a financial liability in the balance sheet, at the point at which the contract is concluded. 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 with no impact on profit or loss, and are only recognised in profit on ordinary activities at the point at which the corresponding losses or profits from the underlying hedged item have an impact on comprehensive income or the transaction expires.

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

1.13 PENSIONS

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Defined benefit pension scheme

Arriva plc also operates a defined benefit pension scheme. The assets of the defined benefit scheme are held separately from those of the company in independently administered funds. As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions payable by the company are charged to the statement of comprehensive income in the period in which they fall due. Contributions payable under the contract based scheme are charged to the statement of comprehensive income as they arise.

1.14 DIVIDENDS

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

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.

2.1 Critical judgements in applying accounting policies

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

Term of lease contracts
In determining the lease term at commencement of a lease (or the remaining lease term on adoption of IFRS 16) management considers the terms of the contracts and all facts and circumstances of the company's operations, that create an economic incentive to exercise an extension option, or not exercise a termination option (where applicable). Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The majority of the company's leases on adoption of IFRS 16 relate to rolling stock used to deliver passenger services, with lease terms aligned to the end date of the the company's track access arrangements with Network Rail. See Note 1.3 for further details of the accounting policy and Notes 17 and 18 the value of lease liabilities falling due within one year and after one year respectively.

2.2 Critical assumptions and key sources of estimation uncertainty

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

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

Accruals and deferred income
The company recognise accrued expenses within the financial statements. They are calculated at the cost the company expect to be paid in future periods, based on reliable evidence available at the time the financial statements are prepared.

3. GENERAL INFORMATION

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

The registered company number is 03979826 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP.

4. TURNOVER

All turnover arose within the United Kingdom.

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

5. OPERATING PROFIT

The operating profit is stated after charging:

	2019 £000	*2018 £000*
Depreciation of tangible assets	**5,622**	*701*
Amortisation of intangible assets	**11**	*12*
Cost of stocks recognised as an expense	**5,453**	*5,080*
LEASE EXPENSES*:		
Expenses related to short-term leases	**44**	*-*
Other lease expenses	**-**	*6,730*

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

6. AUDITORS' REMUNERATION

During the current and previous financial year, audit fees were borne by Arriva UK Trains Limited, a fellow group undertaking.

7. STAFF COSTS

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

	2019 £000	*2018 £000*
Wages and salaries	**6,988**	*6,527*
Social security costs	**778**	*694*
Other pension costs	**805**	*692*
	8,571	*7,913*

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

	2019 No.	*2018 No.*
Train staff	**113**	*110*
Administration and other	**71**	*52*
	184	*162*

8. DIRECTORS' EMOLUMENTS

	2019 £000	*2018 £000*
Directors' emoluments	**723**	*670*
Company contributions to defined contribution pension schemes	**54**	*52*
	777	*722*

During the year retirement benefits were accruing to 4 directors *(2018 - 4)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £315,000 *(2018 - £290,000)*.

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £28,000 *(2018 - £31,000)*.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000	2018 £000
Group interest receivable	83	93
	83	93

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £000	2018 £000
Interest on lease liabilities	602	-
	602	-

11. TAX ON PROFIT

	2019 £000	2018 £000
CORPORATION TAX		
Current tax on profits for the year	717	871
Adjustments in respect of prior years	(442)	361
	275	1,232
TOTAL CURRENT TAX CHARGE	275	1,232
DEFERRED TAX		
Origination and reversal of timing differences	62	30
Adjustments in respect of prior years	(51)	(4)
TOTAL DEFERRED TAX CHARGE (NOTE 19)	11	26
Tax charge on profit	286	1,258

11. TAX ON PROFIT (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

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

	2019 £000	*2018 £000*
Profit before tax	**9,137**	*9,490*
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**1,736**	*1,803*
EFFECTS OF:		
Utilisation of previously unrecognised tax losses	**(950)**	*(899)*
Adjustments in respect of prior years	**(493)**	*357*
Impact of rate change on deferred tax	**(7)**	*(3)*
TOTAL TAX CHARGE FOR THE YEAR	**286**	*1,258*

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

12. DIVIDENDS

	2019 £000	*2018 £000*
Dividends paid on ordinary shares	**3,000**	*8,000*

13. INTANGIBLE ASSETS

	Mobilisation costs £000
COST	
At 1 January 2019	**142**
Additions	**657**
At 31 December 2019	**799**
AMORTISATION	
At 1 January 2019	**55**
Charge for the year	**11**
At 31 December 2019	**66**
NET BOOK VALUE	
At 31 December 2019	**733**
At 31 December 2018	*87*

Intangible assets relate to the mobilisation and set up costs of the customer service centre, centre of excellence and costs incurred in respect of the launch of a North West route train service between Blackpool and London, which represent the additions in 2019.

The mobilisation costs in relation to the customer service centre were fully amortised as at 31 December 2018.

Following the impact of COVID-19, and the announcement by the company in September 2020 that North West route train services will not commence, the related costs capitalised in 2019 are no longer considered recoverable and subsequently are now impaired. As a non-adjusting post balance sheet event, the impairment charge will be recognised in the company's financial statements for the year ended 31 December 2020.

14. TANGIBLE ASSETS

	Plant, machinery and motor vehicles £000	Fixtures and fittings £000	Leasehold properties £000	Heavy maintenance £000	Total £000
COST					
At 1 January 2019	1,482	687	-	19,444	21,613
Adoption of IFRS 16 (Note 25)	33,202	-	735	-	33,937
At 1 January 2019 (adjusted balance)	34,684	687	735	19,444	55,550
Additions	2,391	96	-	4,114	6,601
At 31 December 2019	37,075	783	735	23,558	62,151
Accumulated depreciation					
At 1 January 2019	932	475	-	14,633	16,040
Charge for the year	4,461	58	112	991	5,622
At 31 December 2019	5,393	533	112	15,624	21,662
NET BOOK VALUE					
At 31 December 2019	31,682	250	623	7,934	40,489
At 31 December 2018	*550*	*212*	*-*	*4,811*	*5,573*

14. TANGIBLE ASSETS (continued)

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

	Plant, machinery and motor vehicles £000	Leasehold properties £000	Total £000
Right-of-use assets			
Cost			
At 1 January 2019 (on adoption)	33,202	735	33,937
At 31 December 2019	33,202	735	33,937
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	4,175	112	4,287
At 31 December 2019	4,175	112	4,287
Net book value			
At 31 December 2019	29,027	623	29,650

15. STOCKS

	2019 £000	*2018 £000*
Raw materials and consumables	**39**	*41*

16. DEBTORS

	2019 £000	*2018 £000*
Trade debtors	**78**	*448*
Amounts owed by group undertakings	**13,180**	*12,934*
Other debtors	**772**	*726*
Prepayments and accrued income	**2,313**	*2,767*
Deferred tax asset (Note 19)	**116**	*255*
	16,459	*17,130*

17. CREDITORS: Amounts falling due within one year

	2019 £000	2018 £000
Lease liabilities	4,082	-
Trade creditors	767	1,771
Amounts owed to group undertakings	1,176	1,184
Corporation tax	717	871
Taxation and social security	256	245
Accruals and deferred income	4,554	3,889
Derivative financial instruments (Note 20)	355	563
	11,907	8,523

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

	2019 £000	2018 £000
Lease liabilities	25,564	-
Derivative financial instruments (Note 20)	212	755
	25,776	755

Lease liabilities falling due after more than one year include liabilities of £8,528,000 (2018: £nil) falling due after more than five years.

19. DEFERRED TAX ASSET

	2019 £000	2018 £000
At 1 January	255	415
Charged to profit for the financial year (Note 11)	(11)	(26)
Charged to other comprehensive income	(128)	(134)
At 31 December	116	255

19. DEFERRED TAX ASSET (CONTINUED)

The deferred tax asset is made up as follows:

	2019 £000	*2018 £000*
Accelerated capital allowances	**14**	*-*
Short term timing differences	**5**	*31*
Deferred tax on derivative financial instruments	**97**	*224*
	116	*255*

At 31 December 2019 the company had an unrecognised deferred tax asset of approximately £186,000 (2018: £1,476,000) comprising surplus tax losses. It is not considered prudent to recognise the asset at the year end.

20. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

The amounts recognised within the financial statements are as follows:

	2019 £000	*2018 £000*
Creditors: Amounts falling due within one year (Note 17)	**(355)**	*(563)*
Creditors: Amounts falling due after more than one year (Note 18)	**(212)**	*(755)*
	(567)	*(1,318)*

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

21. CALLED UP SHARE CAPITAL

	2019 £000	*2018 £000*
Authorised, allotted, called up and fully paid		
1,000,010 Ordinary shares of £0.10 each (2018: 1,000,010)	**100**	*100*

22. CAPITAL COMMITMENTS

At 31 December 2019 the company had capital commitments as follows:

	2019 £000	*2018 £000*
Contracted for but not provided in these financial statements	**11,872**	*1,755*
	11,872	*1,755*

At 31 December 2019, the company had a committed lease obligation of £9,000,000 and committed capital expenditure of £2,872,000.

The company has an obligation, under the Grand Central Track Access contract, to invest in a full interior refresh and reconfiguration of a fleet class which the company is fully committed to investing in during 2020. The total committed investment cost is £10.2m of which £7.3m had been incurred by 31 December 2019.

23. OPERATING LEASE COMMITMENTS

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

	2019 £000	*2018 £000*
Land and buildings		
Not later than 1 year	-	*126*
Later than 1 year and not later than 5 years	-	*392*
Later than 5 years	-	*281*
Total land and building commitments	-	*799*
Other		
Not later than 1 year	-	*4,467*
Later than 1 year and not later than 5 years	-	*17,868*
Later than 5 years	-	*13,401*
Total other commitments	-	*35,736*

24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Arriva UK Trains 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 Grand Central Railway Company Limited. 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 Grand Central Railway Company Limited.

Transactions with other companies in the Deutsche Bahn Group are not specifically disclosed as the company has taken advantage of the exemption available under IAS 24 'Related party disclosures' for wholly-owned subsidiaries.

25. IMPACT OF ADOPTION OF IFRS 16

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

On transition, the company recognised an additional £33,937,000 of right-of-use assets and £33,908,000 of lease liabilities. The difference represents a reduction due to associated prepayments at 31 December 2018.

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

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

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

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

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

	£000
Operating lease commitment as at 31 December 2018	36,535
Additional lease commitments identified on transition to IFRS 16	34
Recognition exemptions:	
- Short term leases	(44)
Effect from discounting	(2,617)
Lease liabilities as at 1 January 2019	**33,908**
Prepaid lease expenses as at 31 December 2018	29
Right-of-use assets as at 1 January 2019	**33,937**

26. POST BALANCE SHEET EVENTS

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

The company's open access arrangements and resulting absence of any revenue support from the UK government means the ongoing impact of COVID-19 on travel patterns, and as a result passenger revenues, will continue to negatively impact the company's financial performance and position.

Following the impact of COVID-19, and the announcement by the company in September 2020 that North West route train services will not commence, the related costs capitalised in 2019 to intangible assets (Note 13) are no longer considered recoverable and subsequently are now impaired. As a non-adjusting post balance sheet event, the impairment charge will be recognised in the company's financial statements for the year ended 31 December 2020.