

Registered number: 03979826

**GRAND CENTRAL RAILWAY COMPANY LIMITED**

**Annual report and financial statements**

**For the Year Ended 31 December 2018**



# GRAND CENTRAL RAILWAY COMPANY LIMITED

## Company Information

<b>Directors</b>	S English A Furlong M A Dale D Hatfield A J Cooper R H McClean C D D Burchell M E C Hewitt
<b>Company secretary</b>	L Edwards
<b>Registered number</b>	03979826
<b>Registered office</b>	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

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**GRAND CENTRAL RAILWAY COMPANY LIMITED**

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<b>GRAND CENTRAL RAILWAY COMPANY LIMITED</b>
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**Strategic report  
For the Year Ended 31 December 2018**

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The directors present their Strategic report for the year ended 31 December 2018.

**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 on ordinary activities before taxation of £9.5m (2017: £8.1m). The reason for the increase in profit before taxation was primarily due to growth in passenger revenue and a reduction in depreciation charges, offset by a reduction in other revenue.

As at 31st December 2018 the company had net assets of £13.6m (2017: £12.7m). The increase in net assets is due to the profit generated during the year less the payment of a dividend during the year of £8.0m to Arriva UK Trains Limited (2017: £15.0m).

The company's funding position will allow it to spend £5.9m on committed capital expenditure before the end of 2019.

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

**PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to local and national competition and factors which would cause a decline in the market. Further discussion of these risks and uncertainties in the context of the group as a whole, is provided in the annual report of the UK intermediate parent company, Arriva plc, which does not form part of this report.

**FUTURE DEVELOPMENTS**

The company is expected to continue to achieve passenger revenue growth in 2019, as a result of additional capacity and management actions. Operating costs are expected to increase with inflation and there remains a risk due to the increased cost of regulation, technology and customer expectations.

On 27th March 2019, Grand Central Railway Company Limited's ultimate parent company Deutsche Bahn AG ("DB") announced its intention to explore options to sell the company and the UK Arriva group, through either a sale of up to 100% of the shares to one or more investors or through an Initial Public Offering ("IPO").

The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future.

However, the possibility of a change in ownership of the company within the next 12 months means that the directors are unable to assess or control all scenarios for the company's future, including its funding, a future owner's intentions for the company, the post-sale group structure, or the impact on intercompany balances. Given the uncertainties associated with these possible implications should a change of ownership occur, the potential effects of the proposed sale indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

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## GRAND CENTRAL RAILWAY COMPANY LIMITED

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### Strategic report (continued) For the Year Ended 31 December 2018

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#### 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 business of Grand Central Railway Company Limited. 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 14 May 2019 and signed by order of the board.



**M A Dale**  
Director

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## GRAND CENTRAL RAILWAY COMPANY LIMITED

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### Directors' report For the Year Ended 31 December 2018

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The directors present their report and the audited financial statements for the year ended 31 December 2018.

#### RESULTS AND DIVIDENDS

The profit for the financial year, after taxation, amounted to £8,232,000 (2017: £7,500,000).

The company paid a dividend during the year of £8,000,000 (2017: £15,000,000).

#### DIRECTORS

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

S English  
A Furlong  
M A Dale  
D Hatfield  
A J Cooper  
R H McClean  
C D D Burchell  
M E C Hewitt

#### 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 2018 Integrated Report.

#### MATTERS COVERED IN THE STRATEGIC REPORT

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

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**GRAND CENTRAL RAILWAY COMPANY LIMITED**

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**Directors' report  
For the Year Ended 31 December 2018**

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**DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic report, the Directors' report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have prepared the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' FRS 101. Under company law the directors must not approve the audited 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 audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; 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 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 audited financial statements comply with the Companies Act 2006. 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.

**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 that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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 14 May 2019 and signed by order of the board.



**M A Dale**  
Director

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## GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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#### Report on the audit of the financial statements

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##### 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 2018 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 2018; the statement of comprehensive income, 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.

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##### 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.

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##### 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 directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future. However, due to Deutsche Bahn AG exploring options to sell the company within the next 12 months, the directors have been unable to assess the company's ability to continue as a going concern beyond that point because the form of the planned transaction is unknown, as are the purchaser's intentions for the future of 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 was unable to continue as a going concern.



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## GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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#### 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 2018 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 set out on page 4, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

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## GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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#### Use of this report

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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.

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#### Other required reporting

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##### Companies Act 2006 exception reporting

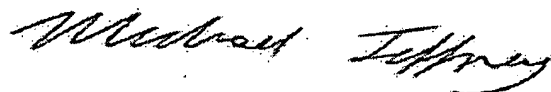
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Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

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Michael Jeffrey (Senior statutory auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Central Square South  
Orchard Street  
Newcastle upon Tyne  
NE1 3AZ

14 May 2019

**GRAND CENTRAL RAILWAY COMPANY LIMITED**

**Statement of comprehensive income  
For the Year Ended 31 December 2018**

	Note	2018 £000	2017 £000
Turnover	4	51,413	53,061
Cost of sales		<u>(36,603)</u>	<u>(34,864)</u>
<b>Gross profit</b>		<b>14,810</b>	<b>18,197</b>
Administrative expenses		<u>(5,413)</u>	<u>(10,150)</u>
<b>Operating profit</b>	5	<b>9,397</b>	<b>8,047</b>
Interest receivable and similar income	9	<u>93</u>	<u>40</u>
<b>Profit on ordinary activities before taxation</b>		<b>9,490</b>	<b>8,087</b>
Taxation on profit on ordinary activities	10	<u>(1,258)</u>	<u>(587)</u>
<b>Profit for the financial year</b>		<b><u>8,232</u></b>	<b><u>7,500</u></b>
<b>Other comprehensive income / (expense):</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Changes in market value of cash flow hedges (Note 19)		<b>788</b>	<b>(201)</b>
Deferred tax attributable to changes in market value of cash flow hedges	18	<u>(134)</u>	<u>34</u>
		<b>654</b>	<b>(167)</b>
<b>Total comprehensive income for the financial year</b>		<b><u>8,886</u></b>	<b><u>7,333</u></b>

The notes on pages 11 to 26 form part of these financial statements.

**GRAND CENTRAL RAILWAY COMPANY LIMITED**  
Registered number: 03979826

**Balance sheet**  
**As at 31 December 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	12	87	99
Tangible assets	13	5,573	2,206
		<u>5,660</u>	<u>2,305</u>
<b>Current assets</b>			
Stocks	14	41	1
Debtors	15	17,130	20,177
Cash at bank and in hand		24	14
		<u>17,195</u>	<u>20,192</u>
Creditors: Amounts falling due within one year	16	(8,523)	(8,245)
<b>Net current assets</b>		<u>8,672</u>	<u>11,947</u>
<b>Total assets less current liabilities</b>		<u>14,332</u>	<u>14,252</u>
Creditors: Amounts falling due after more than one year	17	(755)	(1,561)
<b>Net assets</b>		<u><u>13,577</u></u>	<u><u>12,691</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	100	100
Share premium account		10,304	10,304
Cash flow hedge reserve		(1,095)	(1,749)
Profit and loss account		4,268	4,036
<b>Total shareholders' funds</b>		<u><u>13,577</u></u>	<u><u>12,691</u></u>

The financial statements on pages 8 to 26 were approved and authorised for issue by the board and were signed on its behalf on 14 May 2019.



**M A Dale**  
Director

The notes on pages 11 to 26 form part of these financial statements.

**GRAND CENTRAL RAILWAY COMPANY LIMITED**

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

	Called up share capital £000	Share premium account £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' funds £000
<b>At 1 January 2017</b>	<b>100</b>	<b>10,304</b>	<b>(1,582)</b>	<b>11,536</b>	<b>20,358</b>
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	7,500	7,500
Changes in market value of cash flow hedges	-	-	(201)	-	(201)
Deferred tax attributable to changes in market value of cash flow hedges	-	-	34	-	34
<b>Other comprehensive expense for the financial year</b>	<b>-</b>	<b>-</b>	<b>(167)</b>	<b>-</b>	<b>(167)</b>
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>(167)</b>	<b>7,500</b>	<b>7,333</b>
Dividends paid (Note 11)	-	-	-	(15,000)	(15,000)
<b>At 1 January 2018</b>	<b>100</b>	<b>10,304</b>	<b>(1,749)</b>	<b>4,036</b>	<b>12,691</b>
<b>Comprehensive income for the year</b>					
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)
<b>Other comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>654</b>	<b>-</b>	<b>654</b>
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>654</b>	<b>8,232</b>	<b>8,886</b>
Dividends paid (Note 11)	-	-	-	(8,000)	(8,000)
<b>At 31 December 2018</b>	<b>100</b>	<b>10,304</b>	<b>(1,095)</b>	<b>4,268</b>	<b>13,577</b>

The notes on pages 11 to 26 form part of these financial statements.

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# GRAND CENTRAL RAILWAY COMPANY LIMITED

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## Notes to the financial statements For the Year Ended 31 December 2018

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### 1. ACCOUNTING POLICIES

#### 1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all years, unless otherwise stated. The financial statements have been prepared on the going concern basis under the historic cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through cash flow hedge reserve, and in accordance with the Companies Act 2006. During the year the company adopted IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments". There were no material changes on adoption.

#### GOING CONCERN

On 27th March 2019, Grand Central Railway Company Limited's ultimate parent company Deutsche Bahn AG ("DB") announced its intention to explore options to sell the company and the UK Arriva group, through either a sale of up to 100% of the shares to one or more investors or through an Initial Public Offering ("IPO").

The directors have prepared the financial statements on a going concern basis as they expect that adequate financing will be in place and that the company will continue to operate for the foreseeable future.

However, the possibility of a change in ownership of the company within the next 12 months means that the directors are unable to assess or control all scenarios for the company's future, including its funding, a future owner's intentions for the company, the post-sale group structure, or the impact on intercompany balances. Given the uncertainties associated with these possible implications should a change of ownership occur, the potential effects of the proposed sale indicate the existence of a material uncertainty which may cast significant doubt about the company's ability 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.

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**Notes to the financial statements  
For the Year Ended 31 December 2018**

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**1. ACCOUNTING POLICIES (continued)****1.3 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 as follows:

**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.

**Depreciation**

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

Depreciation is provided on the following bases:

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

**1.5 OPERATING LEASES**

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

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<b>GRAND CENTRAL RAILWAY COMPANY LIMITED</b>
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**Notes to the financial statements  
For the Year Ended 31 December 2018**

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**1. ACCOUNTING POLICIES (continued)**

**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 initially measured at fair value and subsequently at amortised cost. In general, this is equivalent to the costs of purchase. Receivables for which there are substantial objective indications of an impairment are adjusted appropriately.

Trade and other debtors are considered to be 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.

**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.

**1.10 DIVIDENDS**

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



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<b>GRAND CENTRAL RAILWAY COMPANY LIMITED</b>
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**Notes to the financial statements  
For the Year Ended 31 December 2018**

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**1. ACCOUNTING POLICIES (continued)**

**1.11 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 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 23 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".

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**GRAND CENTRAL RAILWAY COMPANY LIMITED**

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**Notes to the financial statements  
For the Year Ended 31 December 2018**

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**1. ACCOUNTING POLICIES (continued)**

**1.12 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.

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<b>GRAND CENTRAL RAILWAY COMPANY LIMITED</b>
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**Notes to the financial statements  
For the Year Ended 31 December 2018**

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**1. ACCOUNTING POLICIES (continued)**

**1.13 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 comprehensive income, and are only recognised in comprehensive income 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.

**1.14 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 payments obligations.

*The contributions are recognised as an expense in the statement of comprehensive income 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.

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<b>GRAND CENTRAL RAILWAY COMPANY LIMITED</b>
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**Notes to the financial statements  
For the Year Ended 31 December 2018**

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**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.

**2.1 Useful economic lives of tangible fixed assets (estimates)**

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

**2.2 Stock provisioning (estimates and judgements)**

The recoverability of the cost of stock is considered and when calculating a stock provision, management consider the nature and condition of the stock as well as applying assumptions around anticipated future usage of the stock or recoverability. See Note 14 for the carrying amount of the stock.

**2.3 Impairment of debtors (estimates)**

The company make an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. See Note 15 for the carrying amount of debtors.

**2.4 Accruals and deferred income (estimates)**

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.

Deferred income is provided for where income has been received in an earlier period to which it relates. The company make estimations as to which period the income relates, based on either the terms of the franchise agreements or terms of service connected to the income being deferred.

# GRAND CENTRAL RAILWAY COMPANY LIMITED

## Notes to the financial statements For the Year Ended 31 December 2018

### 3. GENERAL INFORMATION

The company is a private limited company, incorporated and domiciled in 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:

	2018 £000	2017 £000
Depreciation of tangible assets	701	4,492
Amortisation of intangible assets	12	43
Cost of stocks recognised as an expense	5,080	4,955
<b>Operating lease rentals</b>		
- rolling stock	6,627	7,378
- land and buildings	103	209
	<u>          </u>	<u>          </u>

### 6. AUDITORS' REMUNERATION

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

	2018 £000	2017 £000
Fees for the audit of the company	-	14
	<u>          </u>	<u>          </u>

During 2018, audit fees were borne by Arriva UK Trains Limited, a fellow group undertaking.

# GRAND CENTRAL RAILWAY COMPANY LIMITED

## Notes to the financial statements For the Year Ended 31 December 2018

### 7. STAFF COSTS

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

	2018 £000	2017 £000
Wages and salaries	6,527	6,387
Social security costs	694	666
Other pension costs	692	525
	<u>7,913</u>	<u>7,578</u>

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

	2018 No.	2017 No.
Train staff	110	109
Administration and other	52	41
	<u>162</u>	<u>150</u>

### 8. DIRECTORS' EMOLUMENTS

	2018 £000	2017 £000
Aggregate emoluments	670	665
Company contributions to defined contribution pension schemes	52	53

During the year retirement benefits were accruing to 4 directors (2017 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £290,000 (2017 - £305,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £31,000 (2017 - £31,000).

Excluded from the directors' emoluments above are payments made to former directors totalling £38,000 (2017: £Nil).

**GRAND CENTRAL RAILWAY COMPANY LIMITED**

**Notes to the financial statements  
For the Year Ended 31 December 2018**

**9. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2018 £000	2017 £000
Group interest receivable	93	40
	<u>93</u>	<u>40</u>

**10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	2018 £000	2017 £000
<b>Corporation tax</b>		
Current tax on profits for the financial year	871	581
Adjustments in respect of previous years	361	11
<b>Total current tax charge</b>	<u>1,232</u>	<u>592</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	30	7
Adjustments in respect of prior years	(4)	(12)
<b>Total deferred tax charge / (credit) (Note 18)</b>	<u>26</u>	<u>(5)</u>
<b>Taxation charge on profit on ordinary activities</b>	<u>1,258</u>	<u>587</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	9,490	8,087
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	1,803	1,557
<b>Effects of:</b>		
Utilisation of previously unrecognised tax losses	(899)	(969)
Adjustments in respect of prior years	357	(1)
Impact of rate change on deferred tax	(3)	-
<b>Total tax charge for the year</b>	<u>1,258</u>	<u>587</u>

<b>GRAND CENTRAL RAILWAY COMPANY LIMITED</b>
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**Notes to the financial statements  
For the Year Ended 31 December 2018**

**10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

On 16 March 2016, the Chancellor announced that the main rate of UK Corporation Tax would reduce further to 17% on 1 April 2020. This change was enacted on 15 September 2016.

**11. DIVIDENDS**

	2018 £000	2017 £000
Dividends paid on ordinary shares	<u>8,000</u>	<u>15,000</u>

**12. INTANGIBLE ASSETS**

	Mobilisation costs £000
<b>Cost</b>	
At 1 January 2018	<u>142</u>
<b>At 31 December 2018</b>	<u>142</u>
<b>Accumulated amortisation</b>	
At 1 January 2018	43
Charge for the year	<u>12</u>
<b>At 31 December 2018</b>	<u>55</u>
<b>Net book value</b>	
<b>At 31 December 2018</b>	<u>87</u>
<i>At 31 December 2017</i>	<u>99</u>

Intangible assets relate to the mobilisation and set up costs of the customer service centre and centre of excellence.

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



**GRAND CENTRAL RAILWAY COMPANY LIMITED**

**Notes to the financial statements  
For the Year Ended 31 December 2018**

**13. TANGIBLE ASSETS**

	Plant, machinery and motor vehicles £000	Fixtures and fittings £000	Heavy maintenance £000	Total £000
<b>Cost</b>				
At 1 January 2018	1,096	687	15,762	17,545
Additions	386	-	3,682	4,068
<b>At 31 December 2018</b>	<b>1,482</b>	<b>687</b>	<b>19,444</b>	<b>21,613</b>
<b>Accumulated depreciation</b>				
At 1 January 2018	739	433	14,167	15,339
Charge for the year	193	42	466	701
<b>At 31 December 2018</b>	<b>932</b>	<b>475</b>	<b>14,633</b>	<b>16,040</b>
<b>Net book value</b>				
<b>At 31 December 2018</b>	<b>550</b>	<b>212</b>	<b>4,811</b>	<b>5,573</b>
<i>At 31 December 2017</i>	<i>357</i>	<i>254</i>	<i>1,595</i>	<i>2,206</i>

**14. STOCKS**

	2018 £000	2017 £000
Raw materials and consumables	41	1

**GRAND CENTRAL RAILWAY COMPANY LIMITED**

**Notes to the financial statements  
For the Year Ended 31 December 2018**

**15. DEBTORS**

	2018 £000	2017 £000
<b>Amounts falling due within one year</b>		
Trade debtors	448	183
Amounts owed by group undertakings	12,934	15,894
Other debtors	726	914
Prepayments and accrued income	2,767	2,771
Deferred tax asset (Note 18)	255	415
	<u>17,130</u>	<u>20,177</u>

**16. CREDITORS: Amounts falling due within one year**

	2018 £000	2017 £000
Trade creditors	1,771	1,127
Amounts owed to group undertakings	1,184	1,298
Corporation tax	871	581
Taxation and social security	245	208
Accruals and deferred income	3,889	4,486
Derivative financial instruments (Note 19)	563	545
	<u>8,523</u>	<u>8,245</u>

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

	2018 £000	2017 £000
Derivative financial instruments (Note 19)	755	1,561
	<u>755</u>	<u>1,561</u>

**GRAND CENTRAL RAILWAY COMPANY LIMITED**

**Notes to the financial statements  
For the Year Ended 31 December 2018**

**18. DEFERRED TAX ASSET**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
At 1 January	415	376
(Charged) / credited to comprehensive income (Note 10)	(26)	5
(Charged) / credited to other comprehensive income	(134)	34
<b>At 31 December</b>	<b>255</b>	<b>415</b>

The deferred tax asset is made up as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	-	33
Short term timing differences	31	24
Deferred tax on derivative financial instruments	224	358
	<b>255</b>	<b>415</b>

At 31 December 2018 the company had an unprovided deferred tax asset of approximately £1,476,000 (2017: £1,966,000) comprising surplus tax losses. It is not considered prudent to recognise the asset at the year end.

# GRAND CENTRAL RAILWAY COMPANY LIMITED

## Notes to the financial statements For the Year Ended 31 December 2018

### 19. 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 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 (2017 : £Nil).

The amounts recognised within the financial statements are as follows:

	2018 £000	2017 £000
Creditors: Amounts falling due within one year (Note 16)	(563)	(545)
Creditors: Amounts falling due after more than one year (Note 17)	(755)	(1,561)
	<u>(1,318)</u>	<u>(2,106)</u>

### 20. CALLED UP SHARE CAPITAL

	2018 £000	2017 £000
<b>Authorised, allotted, called up and fully paid</b>		
1,000,010 Ordinary shares of £0.10 each (2017: 1,000,010)	<u>100</u>	<u>100</u>

### 21. CAPITAL COMMITMENTS

At 31 December 2018 the company had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	1,755	5,698
	<u>1,755</u>	<u>5,698</u>

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 2019. The total committed investment cost is £7.8m of which £6.0m (2017: £2.1m) had been incurred by 31 December 2018.

# GRAND CENTRAL RAILWAY COMPANY LIMITED

## Notes to the financial statements For the Year Ended 31 December 2018

### 22. OPERATING LEASE COMMITMENTS

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
<b>Land and buildings</b>		
Less than 1 year	126	89
Later than 1 year and not later than 5 years	392	330
Later than 5 years	281	320
<b>Total land and buildings commitments</b>	799	739
<b>Other</b>		
Less than 1 year	4,467	4,601
Later than 1 year and not later than 5 years	17,868	18,403
Later than 5 years	13,401	18,403
<b>Total other commitments</b>	35,736	41,407

### 23. 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.

Information on Grand Central Railway Company Limited can be obtained from their registered address 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

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.