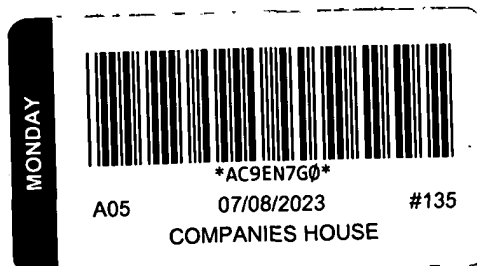


GRAND CENTRAL RAILWAY COMPANY LIMITED

Annual report and financial statements

For the Year Ended 31 December 2022



GRAND CENTRAL RAILWAY COMPANY LIMITED

Company Information

Directors	S G English D Brown A J Scott
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

GRAND CENTRAL RAILWAY COMPANY LIMITED

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GRAND CENTRAL RAILWAY COMPANY LIMITED

Strategic report For the Year Ended 31 December 2022

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

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 loss before tax of £3,282,000 (2021: £22,237,000). The company's improved financial performance and position have been impacted by two factors. Firstly, during 2022 Grand Central was able to operate a full timetable for the whole reporting period. During 2021, due to the impact of the COVID-19 pandemic, Grand Central was in hibernation and operated no services during the first quarter of the year, and then operated a partial timetable until the third quarter before re-introducing a full timetable in September 2021. Secondly, Grand Central introduced an additional daily return service on its North East route in May 2022. Grand Central's trading was adversely impacted by the Omicron variant of COVID-19 during the first quarter of 2022; the impact of poor fleet reliability, particularly during the second and third quarters, which led to high levels of service cancellations and passenger refunds; and the cost of living crisis throughout the year. Grand Central's financial performance was also impacted by the effect of high levels of inflation, which impacted the cost of light maintenance services for its fleet in particular.

At 31 December 2022 the company had net liabilities of £41,955,000 (2021: £40,164,000). The movement reflects the increased working capital requirement of the business as it began to recover from the impact of the COVID-19 pandemic and was supported by a DB Line of Credit which increased to £45,000,000 during the reporting period. At 31 December 2022, the company had utilised £40,057,000 (2021: £34,404,000) of this facility.

The directors consider the state of the company's affairs to be satisfactory on the basis of a share issue to its parent, Arriva UK Trains Limited, in consideration of which an equity injection of £50,000,000 was received in June 2023. This has enabled the company to repay the amount drawn down on its credit facility with Deutsche Bahn AG in full.

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 Arriva group as a whole, is provided in the annual report of the UK intermediate parent company, Arriva plc, which does not form part of this report.

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 AG group's Integrated Report which does not form part of this report.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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 continued to be impacted by the COVID-19 pandemic, particularly during the first quarter of 2022 with the introduction of the Omicron variant of COVID-19.

The company's open access arrangements and resulting absence of any revenue support from the UK government means the ongoing impact of the cost of living crisis and industrial action on travel patterns, and passenger revenues, may continue to negatively impact the company's financial performance and position. The company issued shares to its parent company Arriva UK Trains Limited, in consideration of which it received an equity injection of £50,000,000 in June 2023.

Following the year end, trading has been impacted in Q1 2023 by the impacts of industrial action on infrastructure availability and fleet reliability which has caused the company to cancel a proportion of timetabled services at short notice. The company is taking remedial action to mitigate the impact of fleet reliability on the delivery of timetabled services and expects to be in a position to routinely operate a full timetable by the end of Q3 2023. The impact of industrial action is uncertain for the remainder of the year.

The company has submitted an application to the industry regulator to permit it to call services at Peterborough Station. This presents an opportunity to the company to develop new markets between Peterborough and existing destinations on its North East and West Riding routes.

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. 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. 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.

The company is currently dependent on daily access to its funds in the cash pool for the funds required to operate and to support the going concern assertion. As the terms of the company's agreement with DB do not provide explicit rights for immediate access to these funds on request and the facility is not formally committed for a specific period of time, and therefore could be withdrawn during the period of 12 months from the date of approval of the financial statements. However, the directors consider this risk to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice.

Trading risk

In completing their going concern assessment, the directors have also considered the continued impact of the cost of living crisis and industrial action on the company's financial position along with associated management actions to mitigate those impacts on the company's cash position.

Outcome of directors' going concern assessment

The directors have prepared the financial statements on a going concern basis following a share issue to its parent, Arriva UK Trains Limited, in consideration of which an equity injection of £50,000,000 was received in June 2023. This has enabled the company to repay the amount drawn down on its credit facility with Deutsche Bahn AG in full and will enable the company to continue to operate for the foreseeable future.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

Outcome of directors' going concern assessment (continued)

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

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

SECTION 172 STATEMENT

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

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

The directors of the company aim to meet at least four times in each financial year to discuss the matters that cannot be delegated under the Companies Act 2006. The role of Grand Central's Board of Directors (Board) is to be collectively responsible for the company's long-term sustainable success, providing strategic leadership, direction and governance within a framework of effective controls. The Board recognises that it is accountable to stakeholders for ensuring that the company is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours. The issues and factors which have guided the directors' decisions are outlined in the 'Principal Risks and Uncertainties' section of this report.

During the financial year ended 31 December 2022 the company's financial performance has continued to be impacted by the COVID-19 pandemic, particularly during the first quarter of 2022 with the introduction of the Omicron variant of COVID-19. The company has been financially supported during the pandemic by its ultimate parent company Deutsche Bahn AG (DB). The company received an equity injection from its parent company Arriva UK Trains Limited in June 2023.

Throughout the last two years, the Arriva group has worked on facilitating a comprehensive review of the Arriva group, called Project Revitalise; a series of programmes aimed at building a stronger, more competitive Arriva group. The object of the project was to ensure that the purpose of the business was clearly promoted, and that the Arriva group's values, strategy and culture were all aligned, and that the Arriva group continued to meet the needs of its customers, clients and society as a whole.

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

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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 by the Management Board of the company, which includes directors from the Arriva UK Trains Leadership team as well as the company's statutory directors. 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 Arriva UK Trains division.

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 there is a clear process in the event of any invoice dispute. The company believes that prompt payment of invoices is key to facilitating a good relationship with its suppliers.

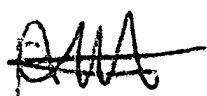
The company is committed to the communities that it serves. At Arriva Group an Internal Communications and Engagement Director has oversight of strategic commitments for Corporate Social Responsibility, which forms part of the wider business strategy.

During the financial year ended 31 December 2022, despite the challenging operating environment, the company continued to engage with its customers and customer groups to ensure a positive customer experience (including passengers and Network Rail), this included using different forms of social media and appointing Volunteer Station Ambassadors.

Within its individual business functions, the Arriva group encourages staff to volunteer for charities and projects in the local community, in respect of the company this included supporting local schools with career advice, as well as various types of fundraising and other community projects.

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

This report was approved by the board on 3 August 2023 and signed on behalf of the board.



A J Scott
Director

GRAND CENTRAL RAILWAY COMPANY LIMITED

Directors' report For the Year Ended 31 December 2022

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

RESULTS AND DIVIDENDS

The loss for the year, after tax, amounted to £802,000 (2021 - £22,237,000).

The company did not pay a dividend during the year (2021 - £Nil).

DIRECTORS

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

S G English
C Bainbridge (resigned 19 October 2022)
A J Scott (appointed 1 October 2022)
D Brown

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

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

- Deutsche Bahn AG
- Customers (including passengers)
- Employees
- Suppliers (including Network Rail)
- Office of Rail and Road (ORR)
- Rail Delivery Group (RDG)
- Local communities in which the company is based
- Trade Unions

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 by the Management Board of the company, which includes directors from the Arriva UK Trains Leadership team as well as the company's statutory directors. 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 Arriva UK Trains division.

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

- Communication with Transport Focus, which is a lobbying group acting on behalf of passengers and ensures an ongoing dialogue about important issues affecting passengers. Transport Focus also provide us with passenger insight via their regular Rail User Survey reports which capture passenger views across all train operators in the UK.
- Receiving feedback and complaints directly from passengers via the company's Customer Relations and Social Media teams. Contact volumes, complaint themes, key issues and agreed KPIs are reported to the company's Management Board to ensure passenger issues are heard and addressed. Customer complaint volumes and our response times are also reported every period to the Office of Rail and Road as part of the company's regulatory license obligations.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS (CONTINUED)

- Station Ambassadors are a group of volunteers who work at all of the stations that the company operates, who engage with passengers and provide the company's management with insight from the feedback received and support provided.
- Passengers are invited to provide feedback on their Grand Central journey experience via the company's 'always-on' post-travel satisfaction survey which is collated and reviewed every period against benchmark targets that are set annually as part of the company's Business Planning process.

Zero Emissions institute (ZE Institute)

In September 2022, the Arriva group launched its Zero Emission Institute, a key part of Arriva's journey to net-zero and an integral part of its vision to shape a future where passenger transport is the best choice.

As part of Arriva's mission to become the leading passenger transport partner across Europe, the company also has the ambition to accelerate its journey to becoming a climate neutral company. The creation of the ZE Institute, sponsored by Anne Hettinga, a member of the AMB and Managing Director of Arriva Netherlands will support the Arriva groups ambitious sustainability strategy and help to transform Arriva's bus and rail fleet in the coming years.

Further information on how the directors have fostered relationships with suppliers and the local communities in which the company is based for the financial year ended 31 December 2022 is detailed in the Section 172 statement in the Strategic Report.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Deutsche Bahn AG is the principal source of funding for Arriva plc and its subsidiaries. The Arriva group's financial risks, including liquidity risks and those arising from interest rates, commodity prices and currency fluctuations are managed in accordance with the Deutsche Bahn treasury policy. For further details relating to financial risk management please refer to the Deutsche Bahn AG 2022 Integrated Report (<https://ir.deutschebahn.com/en/reports/db-group-and-db-ag/>).

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company has made qualifying third-party indemnity provisions for the benefit of its directors as part of a group wide insurance policy. The qualifying third-party indemnity provisions (as defined in Section 234 of the Companies Act 2006) were in force during the year ended 31 December 2022 and continue to remain in force at the reporting date.

MATTERS COVERED IN THE STRATEGIC REPORT

Details of future developments and consideration of the company's ability to continue as a going concern have been disclosed in the Strategic report.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

STREAMLINED ENERGY AND CARBON RERPORTING DISCLOSURE (SECR)

UK energy consumption and greenhouse gas emissions for Grand Central Railway Company Limited (the company) for the period 1 January 2022 to 31 December 2022 inclusive is as follows.

Energy usage for the Company in the United Kingdom	Current reporting year 2022	Previous reporting year 2021
Scope 1 – Fuel use from transport and combustion of natural gas/tCO ₂ e*	22,137	16,726
Scope 2 – Emissions resulting from the purchase of electricity, including heat, steam, or cooling (location based)/tCO ₂ e	12	12
Scope 3 – Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel/tCO ₂ e	0	0
Total gross emissions/tCO ₂ e	22,149	16,738
tCO ₂ e per full time equivalent employees	124.4	101
Energy consumption used to calculate the above emissions / kWh	86,454,076	66,545,246

* tCO₂e means tonnes (t) of carbon dioxide (CO₂) equivalent (e)

** The full time number equivalent number of employees for the financial year ended 31 December 2022 was 178

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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

Methodology

The company is required to report its UK energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the UK Government's policy on Streamlined Energy and Carbon Reporting. The data detailed in the table represents emissions and energy use for which the company is responsible and does not represent data for the whole Arriva group.

As a wholly owned subsidiary of Deutsche Bahn AG, the company is bound to use their approved emission factors for site energy and the source for site consumption emission factors is the GEMIS database (GEMIS: IINAS, Darmstadt (Germany)). To calculate the emissions, the company has used the UK Government GHG Conversion Factors for company Reporting 2022.

The data highlights that the 2022 figures were higher than the 2021 figures. This is due to the company operating a reduced timetable during 2021 until September due to COVID 19 pandemic-caused restrictions, and introduction of an additional return service on the company's North East route in May 2022. Both of these factors have resulted in higher energy usage in 2022.

Environmental policy

The company strives for best practice in environment, health, wellbeing and safety ("EHS") and aims to play an important role in the reduction of greenhouse gases to stabilise the increase in global temperatures, and to reduce the company's ecological footprint; deliver business efficiencies and protect the environment.

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

- robust environmental management and risk assurance;
- clear accountability;
- clear communication of goals and progress;
- targeting improvements in CO₂e emissions, Energy, Water and Waste; and
- ensuring compliance with local law regulations, and that key environmental risks are mitigated.

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

The company has an environmental policy in place that incorporates the Arriva environmental approach and sustainability strategy and works with group partners through the Arriva Environmental Improvement Network.

The company has an Environmental Plan which will be combined with the annual Safety Plan to become the Safety and Environmental Plan. The environmental actions within the Environmental Plan include several environmental management audits at stations, offices, depots and on-train. The company is also developing a suite of environmental-specific KPI's relevant to the company.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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

Energy efficiency actions

The company, and the Arriva group, are committed to reducing their carbon footprint.

As part of a Rail Standards and Safety Board research project, the company will be trialing a Liquefied Natural Gas and diesel-powered engine on one Class 180 vehicle (the "Dual Fuel Trial"). If the Dual Fuel Trial is successful and the company decides to implement the engines across the company's fleet of vehicles there would be a significant reduction in diesel fuel usage in the company. Although the Dual Fuel Trial commenced in 2018, and was scheduled to be trialed in 2020, due to the COVID-19 pandemic and some technical issues the Dual Fuel Trial was deferred and will be evaluated by the end of Q2 2023.

During 2023 the company will be working with its key suppliers in a diesel use and emissions reduction strategy for its trains that are stabled overnight at maintenance depots and where they have a dwell time in excess of 30 minutes at stations. The strategy will include the use of shore supply systems allowing the engine to be shut down.

Sustainability

In 2022, the Arriva Group, announced a new Zero Emission Institute which is led by a team of experts in fleet planning, to accelerate its journey to net-zero in partnership with cities and regions. The Institute will be a central hub of knowledge and expertise for Passenger Transport Authorities and for Arriva's business units, sharing experience and best practice in the roll-out of alternative fuels and transitioning fleets to zero emissions. This will help to build longer term decarbonisation strategies alongside town and city transport authorities.

The Institute plans to forge relationships and partnerships with a number of external organisations which will in turn build Arriva's internal expertise and knowledge of the latest emerging technologies. Partnerships include green energy companies, academic institutions, technological innovators, engineers, vehicle designers and manufacturers.

The Institute was set up to support Arriva's vision to help shape a future where passenger transport is the best choice. To achieve this, partnership and clear government policies that encourage people to use public transport are essential. Modal shift to public transport will make a significant difference in the journey to decarbonisation by reducing car use, which in turn reduces emissions in our towns and cities. At the same time, adopting cleaner and greener fuel technology will ensure public transport makes its contribution to the EU's goal to become climate neutral by 2050.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual report and the audited financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

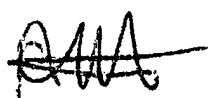
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the audited financial statements comply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

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the directors' report is approved:

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

This report was approved by the board on 3 August 2023 and signed on its behalf.



A J Scott
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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; the Statement of comprehensive income and 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 dependent on the Deutsche Bahn AG ("DB") (the ultimate parent company) cash pooling and credit facility arrangements for access to the cash necessary for the day-to-day running of the company and to support the going concern assertion. As per the terms of the company's agreements with DB, the company does not have explicit rights for immediate access to these funds on request and the credit facility with DB is not committed for a specific period of time, which gives rise to a potential liquidity risk that funds may not be available as required to settle liabilities during the period of 12 months from the date of approval of the financial statements. Furthermore, as set out in the DB 31 December 2022 annual report, DB plans to divest of the Arriva group which could result in a change in ownership of the company within 12 months of the date of approval of these financial statements. Should a change in ownership occur, the directors are unable to assess or control all scenarios for the company's future, including the intent and ability of any future owner to continue to provide funding to the company. These conditions, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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

Material uncertainty related to going concern (continued)

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Responsibilities of the directors for the financial statements (continued)

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Railways Act 1993, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve the financial results and management bias in significant judgements and accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Challenging assumptions and judgements made by management, including in relation to the use of the perpetuity factor in the impairment model;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulations; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

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

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.

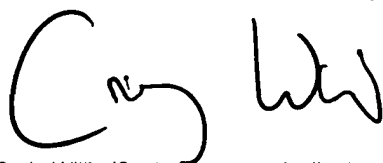
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Craig Willis (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle upon Tyne

4 August 2023

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

	Note	2022 £000	2021 £000
Turnover	4	41,509	20,339
Cost of sales		(38,933)	(34,460)
Gross profit/(loss)		2,576	(14,121)
Administrative expenses		(6,016)	(7,661)
Other operating income	5	2,432	683
Operating loss	6	(1,008)	(21,099)
Interest payable and similar expenses	10	(2,274)	(1,138)
Loss before tax		(3,282)	(22,237)
Tax on loss	11	2,480	-
Loss for the financial year		(802)	(22,237)
Other comprehensive (expense)/ income:			
Items that may be reclassified to profit or loss:			
Changes in market value of cash flow hedges	20	(4,000)	2,216
Other comprehensive (expense)/income for the financial year		(4,000)	2,216
Total comprehensive expense for the year		(4,802)	(20,021)

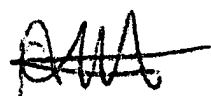
The notes on pages 18 to 41 form part of these financial statements.

GRAND CENTRAL RAILWAY COMPANY LIMITED
Registered number: 03979826

Balance sheet
As at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	12	159	268
Tangible assets	13	23,294	26,683
		<u>23,453</u>	<u>26,951</u>
Current assets			
Stocks	14	60	37
Debtors	15	7,355	2,456
Cash at bank and in hand		3	5
		<u>7,418</u>	<u>2,498</u>
Creditors: amounts falling due within one year	16	(57,514)	(51,557)
Net current liabilities		<u>(50,096)</u>	<u>(49,059)</u>
Total assets less current liabilities		<u>(26,643)</u>	<u>(22,108)</u>
Creditors: amounts falling due after more than one year	17	(14,807)	(18,056)
Provisions for liabilities	19	(505)	-
Net liabilities		<u>(41,955)</u>	<u>(40,164)</u>
Capital and reserves			
Called up share capital	22	100	100
Share premium account		10,304	10,304
Cash flow hedge reserve		(569)	420
Profit and loss account		(51,790)	(50,988)
Total shareholders' deficit		<u>(41,955)</u>	<u>(40,164)</u>

The financial statements on pages 15 to 41 were approved and authorised for issue by the board and were signed on its behalf on 3 August 2023.



A J Scott
Director

The notes on pages 18 to 41 form part of these financial statements.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

	Called up share capital £000	Share premium account £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' funds / (deficit) £000
At 1 January 2021	100	10,304	(1,684)	(28,751)	(20,031)
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(22,237)	(22,237)
Changes in market value of cash flow hedges	-	-	2,216	-	2,216
Other comprehensive income for the financial year	-	-	2,216	-	2,216
Total comprehensive expense for the financial year	-	-	2,216	(22,237)	(20,021)
Transfers to inventory	-	-	(112)	-	(112)
At 31 December 2021 and 1 January 2022	100	10,304	420	(50,988)	(40,164)
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(802)	(802)
Changes in market value of cash flow hedges	-	-	(4,000)	-	(4,000)
Total comprehensive expense for the financial year	-	-	(4,000)	(802)	(4,802)
Transfers to inventory	-	-	3,011	-	3,011
At 31 December 2022	100	10,304	(569)	(51,790)	(41,955)

The notes on pages 18 to 41 form part of these financial statements.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006, as applicable to companies using FRS 101. 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.

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

MATERIAL UNCERTAINTY IN RELATION TO 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 continued to be impacted by the COVID-19 pandemic, particularly during the first quarter of 2022 with the introduction of the Omicron variant of COVID-19.

The company's open access arrangements and resulting absence of any revenue support from the UK government means the ongoing impact of the cost of living crisis and industrial action on travel patterns, and passenger revenues, may continue to negatively impact the company's financial performance and position. The company issued shares to its parent company Arriva UK Trains Limited, in consideration of which it received an equity injection of £50,000,000 in June 2023.

Following the year end, trading has been impacted in Q1 2023 by the impacts of industrial action on infrastructure availability and fleet reliability which has caused the company to cancel a proportion of timetabled services at short notice. The company is taking remedial action to mitigate the impact of fleet reliability on the delivery of timetabled services and expects to be in a position to routinely operate a full timetable by the end of Q3 2023. The impact of industrial action is uncertain for the remainder of the year.

The company has submitted an application to the industry regulator to permit it to call services at Peterborough Station. This presents an opportunity to the company to develop new markets between Peterborough and existing destinations on its North East and West Riding routes.

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. 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. 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.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

MATERIAL UNCERTAINTY IN RELATION TO GOING CONCERN (continued)

The company is currently dependent on daily access to its funds in the cash pool for the funds required to operate and to support the going concern assertion. As the terms of the company's agreement with DB do not provide explicit rights for immediate access to these funds on request and the facility is not formally committed for a specific period of time, and therefore could be withdrawn during the period of 12 months from the date of approval of the financial statements. However, the directors consider this risk to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice.

Trading risk

In completing their going concern assessment, the directors have also considered the continued impact of the cost of living crisis and industrial action on the company's financial position along with associated management actions to mitigate those impacts on the company's cash position.

Outcome of directors' going concern assessment

The directors have prepared the financial statements on a going concern basis following a share issue to its parent, Arriva UK Trains Limited, in consideration of which an equity injection of £50,000,000 was received in June 2023. This has enabled the company to repay the amount drawn down on its credit facility with Deutsche Bahn AG in full and will enable the company to continue to operate for the foreseeable future.

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

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

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.2 OPERATING PROFIT

1.2 (a) Revenue

Passenger revenue represents amounts agreed as attributed to the company by the revenue allocation systems of the Rail Settlement Plan ("RSP"), mainly in respect of passenger receipts. Revenue is attributed based principally on models of certain aspects of passengers' travel patterns and, to a lesser extent, from allocations agreed for specific revenue flows.

Travel on a train operating company's services can be sold by other train operating companies as well as other travel retailers. Furthermore, certain tickets for train travel can be sold which provide the holder with a choice of train operators to travel with. In light of those factors, our passenger revenue includes amounts receivable from individuals or groups of individuals to travel on UK rail services that is attributed to train operating companies by the Railway Settlement Plan Limited. RSP administers the revenue allocation system within the UK rail industry and allocates revenue to operators principally on agreed models of route usage.

Procedures exist to allow operators to challenge the appropriateness of revenue allocation. Revenue is only recognised when it is highly probable that a significant reversal will not occur.

Delay Repay customer compensation, which is compensation paid to customers who have experienced a delay of more than 30 minutes on their journey, is treated as a reduction in passenger revenue in line with IFRS 15 Revenue from Contracts with Customers.

Deferred revenue is generated when passengers purchase tickets for travel in future financial periods. This is then released in the same financial period as the travel. The value of the deferred revenue is reported through the revenue allocation system detail. Season ticket revenue is deferred and released to the income statement over the period of the relevant season ticket.

1.2 (b) Track Access Claims

Performance incentive payments/reimbursements (Schedule 8) made to or received from Network Rail by the company in respect of Rail operational performance are recognised in the following railway period that the performance relates to and are classified within cost of sales. Management's judgement is that the treatment of net presentation of Schedule 8 within cost of sales is appropriate as the substance of the performance incentive payments is that they are compensation for poor performance by either the company, another operator or Network Rail and relate directly to the long run impacts of poor performance on passenger demand and revenue.

Claims made for planned disruption (Schedule 4) are adjustments to variable charges for planned disruption on the line and is recognised in the period it relates to within cost of sales. Management's judgement is that the treatment of net presentation of Schedule 4 and similar claims within cost of sales is appropriate as the substance of the claim is a net reduction in cost of sales as a result of reduced operating miles due to planned disruption.

In the Balance sheet, receivables and payables arising from each individual claim related to performance incentives are presented as other debtors, gross from amounts due to network rail from the company which are presented as accruals as the offsetting criteria are not met given that the company settles these on a gross basis for individual performance incentive payments made/received.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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 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.

1.4 INTANGIBLE ASSETS AND AMORTISATION

Intangible assets are included at cost less accumulated amortisation. Intangible assets mostly relate to software valued at cost less accumulated amortisation.

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, which is 5 - 10 years.

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.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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
Right-of-use assets	- period of the lease
Heavy maintenance	- period of the rolling stock lease

1.6 IMPAIRMENT OF FIXED ASSETS

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

1.7 STOCKS

Stocks are valued at the lower of cost, on a weighted average basis, and net realisable value.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.8 DEBTORS

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

The simplified approach is used to measure expected lifetime credit loss allowances under IFRS 9 for trade and other debtors on a collective basis for any assets that are not considered to be individually impaired. 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.

Contract assets relate to income earned in an earlier period, which has not yet been billed at the reporting date (see note 1.2(a)). All contract assets are also subject to the simplified approach used to measure expected lifetime credit loss allowances under IFRS 9.

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

1.9 CASH

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

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

1.10 CREDITORS

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

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

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.11 PROVISIONS FOR LIABILITIES

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

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

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

1.12 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.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.12 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS (continued)

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

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".

1.13 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.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.14 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.

1.15 EMPLOYEE BENEFITS

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

Defined contribution pension plan

Arriva plc operates a contribution based retirement benefit scheme for certain employees of the company. A contract based scheme 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. Contributions payable under the contract based scheme are charged to the statement of comprehensive income as they arise.

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 this multi-employer 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.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.16 GOVERNMENT GRANTS

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

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

1.17 SHARES AND SHARE PREMIUM

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

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

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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 are the critical judgements that have 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.

Perpetuity factor in impairment model

Management judgement at year-end was that the company would be able to continue operating into perpetuity. This critical judgement was not possible in 2020 and 2021 due to uncertainty surrounding the continuation of the company's track access rights with Network Rail, beyond their current expiry date in December 2027. Clarity provided by guidance published by the Office of Rail and Road in May 2023, which provides a strong presumption in support of the continuation of current track access rights beyond the expiry date of current agreements, confirmed management's views at year-end. The incorporation of a value in use assumption into the impairment model has resulted in cash flows forecast in excess of the carrying amount of tangible assets. As a direct result of this, the brought forward impairment of £0.8m has been written back.

Accounting for contributions to multi-employer defined benefit pension schemes

Certain of the company's current and former employees are deferred members of the Arriva Passenger Services National Pension Scheme (APSNPS), a group multi-employer defined benefit pension scheme that closed to future accrual and entrants in 2021. The sponsoring employer for the APSNPS is Arriva plc, and the company as well as Arriva plc and other subsidiaries continue to pay deficit contributions to the APSNPS. As there is no contractual agreement or policy for allocating the costs for APSNPS to participating group entities, the company accounts for contributions payable as if they were to a defined contribution pension scheme, with the amounts payable charged to the statement of comprehensive, as outlined in Note 1.15.

3. GENERAL INFORMATION

The company is a private company, limited by shares and incorporated, registered 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, Tyne and Wear, SR3 3XP.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

4. TURNOVER

All turnover arose within the United Kingdom.

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

5. OTHER OPERATING INCOME

	2022	2021
	£000	£000
Government grants receivable	2,432	683
	2,432	683

Government grants relate to the East Coast Digital Project which is sponsored by Network Rail.

6. OPERATING LOSS

The operating loss is stated after charging:

	2022	2021
	£000	£000
Staff costs (Note 8)	9,773	9,171
Track access charges	1,862	1,121
Schedule 4 and similar claims	(2,762)	(1,130)
Schedule 8	(1,763)	131
Depreciation of tangible fixed assets (Note 13)	5,583	5,347
Impairment of tangible fixed assets	(841)	-
Amortisation of intangible assets (Note 12)	109	-
Commission payable	1,825	794
Maintenance	19,335	16,535
Loss on disposal of tangible assets	11	21
Cost of stocks recognised as an expense	3,467	2,962
Lease expenses:		
Expenses related to short-term leases	118	114

7. AUDITORS' REMUNERATION

	2022	2021
	£000	£000
Fees payable to the company's auditors for the audit of the company's annual financial statements	67	67

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

8. STAFF COSTS

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

	2022 £000	2021 £000
Wages and salaries	7,842	7,614
Social security costs	861	792
Other pension costs	1,070	765
	<u>9,773</u>	<u>9,171</u>

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

	2022 No.	2021 No.
Train staff	115	101
Administration and other	63	64
	<u>178</u>	<u>165</u>

9. DIRECTORS' EMOLUMENTS

	2022 £000	2021 £000
Directors' emoluments	283	330
Company contributions to defined benefit schemes	-	32
Company contributions to defined contribution pension schemes	20	1
	<u>303</u>	<u>363</u>

During the year retirement benefits were accruing to 2 directors (2021 - 1) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to no directors (2021 - 4) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £151,000 (2021 - £114,000).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL (2021 - £11,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £11,000 (2021 - £NIL).

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £000	2021 £000
Group interest payable	1,866	673
Interest on lease liabilities	408	465
	<u>2,274</u>	<u>1,138</u>

11. TAX ON LOSS

	2022 £000	2021 £000
Corporation tax		
Adjustments in respect of prior years	(2,480)	-
Total current tax credit	<u>(2,480)</u>	<u>-</u>
Deferred tax		
Total deferred tax charge	-	-
Total tax credit on loss	<u>(2,480)</u>	<u>-</u>

The prior year adjustment in relation to current taxes has arisen as a consequence of tax losses previously treated as having no value, being surrendered by way of group relief to other Arriva UK companies for value.

GRAND CENTRAL RAILWAY COMPANY LIMITED
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**Notes to the financial statements
For the Year Ended 31 December 2022**

11. TAX ON LOSS (CONTINUED)

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

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

	2022	2021
	£000	£000
Loss before tax	(3,282)	(22,237)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(624)	(4,225)
Effects of:		
Tax losses where no benefit recognised	748	4,159
Adjustments in respect of prior years	(2,480)	-
Deferred tax assets not recognised	(124)	66
Total tax credit for the year	(2,480)	-

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

11. TAX ON LOSS (CONTINUED)**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The proposal to increase the rate to 25% was substantively enacted before the balance sheet date, so its effects are included in these financial statements.

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

12. INTANGIBLE ASSETS

	Software £000
Cost	
At 1 January 2022	593
At 31 December 2022	593
Accumulated amortisation	
At 1 January 2022	325
Charge for the year	109
At 31 December 2022	434
Net book value	
At 31 December 2022	159
At 31 December 2021	268

GRAND CENTRAL RAILWAY COMPANY LIMITED
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**Notes to the financial statements
For the Year Ended 31 December 2022**

13. TANGIBLE ASSETS

	Plant and machinery £000	Leasehold properties £000	Heavy maintenance £000	Total £000
COST				
At 1 January 2022	37,117	406	9,892	47,415
Additions	1,377	-	-	1,377
Disposals	(396)	-	(40)	(436)
At 31 December 2022	38,098	406	9,852	48,356
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2022	16,531	361	3,840	20,732
Charge for the year	4,523	45	1,015	5,583
Disposals	(395)	-	(17)	(412)
Impairment reversals	(841)	-	-	(841)
At 31 December 2022	19,818	406	4,838	25,062
Net book value				
At 31 December 2022	18,280	-	5,014	23,294
<i>At 31 December 2021</i>	20,586	45	6,052	26,683

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

13. 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 2022	34,447	406	34,853
Additions	728	-	728
At 31 December 2022	<u>35,175</u>	<u>406</u>	<u>35,581</u>
Accumulated depreciation and impairment			
At 1 January 2022	14,123	361	14,484
Charge for the year	4,347	45	4,392
At 31 December 2022	<u>18,470</u>	<u>406</u>	<u>18,876</u>
Net book value			
At 31 December 2022	16,705	-	16,705
At 31 December 2021	<u>20,324</u>	<u>45</u>	<u>20,369</u>

14. STOCKS

	2022 £000	2021 £000
Raw materials and consumables	<u>60</u>	<u>37</u>
	<u>60</u>	<u>37</u>

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

15. DEBTORS

	2022 £000	2021 £000
Trade debtors	382	154
Derivative financial instruments (Note 20)	-	422
Other debtors	3,191	1,161
Prepayments and contract assets	1,302	719
Amounts owed by group undertakings	2,480	-
	<u>7,355</u>	<u>2,456</u>

Prepayments and contract assets include contract assets of £801,000 (2021: £459,000) relating to the settlement of the Rail Settlement Plan ("RSP").

Other debtors include £1,585,000 (2021: £515,000) relating to Schedule 4 and similar claims, and £433,000 (2021: £31,000) relating to Schedule 8.

Amounts owed by group undertakings relates to taxable losses surrendered by way of group relief to other Arriva UK companies for value. Amounts owed by group undertakings are all interest free, unsecured and are repayable on demand.

16. CREDITORS: Amounts falling due within one year

	2022 £000	2021 £000
Lease liabilities	4,693	4,989
Trade creditors	837	737
Amounts owed to group undertakings	40,503	34,633
Taxation and social security	234	269
Other creditors	59	983
Accruals and contract liabilities	10,886	9,946
Derivative financial instruments (Note 20)	302	-
	<u>57,514</u>	<u>51,557</u>

Within Accruals and contract liabilities include contract liabilities of £832,769 (2021: £382,000) relating to passenger revenue. All of 2021 contract liabilities were recognised in 2022. None of this related to performance obligations satisfied in previous periods.

Amounts owed to group undertakings includes £40,057,000 (2021: £34,404,000) of borrowings under an overdraft facility provided by the ultimate parent company as part of the cashpool credit facility. These borrowings incur interest at 4.45% and are repayable on demand. These borrowings were repaid in June 2023 using proceeds from an equity injection from Arriva UK Trains Limited (refer to note 25 for further details).

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

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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

	2022	2021
	£000	£000
Lease liabilities	14,543	18,056
Derivative financial instruments (Note 20)	264	-
	14,807	18,056

Lease liabilities falling due after more than one year include liabilities of £Nil (2021: £Nil) falling due after more than five years. Refer to note 1.3 for further information lease payments term.

18. DEFERRED TAX

There have been no deferred tax movements in the current or prior year.

At 31 December 2022 the company had an unrecognised deferred tax asset of approximately £9,182,000 (2021: £13,800,000) comprising mainly from surplus tax losses (£8,678,000) and tangible fixed assets (£595,000). It is not considered appropriate to recognise the asset at the year end due to the uncertainty around the availability of future profits.

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

19. PROVISIONS FOR LIABILITIES

	Dilapidations £000	Insurance £000	Legal £000	Total £000
At 1 January 2022	-	-	-	-
Reclassification from accruals and deferred income	116	14	15	145
Additions	402	4	40	446
Usage	(40)	(6)	(40)	(86)
At 31 December 2022	478	12	15	505

The dilapidations provision represents the directors' best estimate of future dilapidation costs arising from existing contractual obligations. Included within dilapidations is £478,000 relating to asset retirement obligations.

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

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

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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 gain / loss 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 (2021: £Nil).

The amounts recognised within the financial statements are as follows:

	2022	2021
	£000	£000
Debtors (Note 15)	-	422
Creditors: Amounts falling due within one year (Note 16)	302	-
Creditors: Amounts falling due after more than one year (Note 17)	264	-
	566	422

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

21. PENSION COMMITMENTS

At 31 December 2022 the UK intermediate parent company, Arriva plc, operated a multi-employer defined benefit pension scheme and a contract based retirement benefit scheme providing benefits to certain employees within Grand Central Railway Company Limited.

The defined benefit pension scheme is the Arriva Passenger Services National Pension Scheme (APSNPS), financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees. During 2021, the APSNPS closed to future accrual, simultaneously closing to new entrants.

Contributions to the defined benefit scheme, the APSNPS, were based upon actuarial advice following the most recent actuarial valuation of the fund. The latest actuarial valuation was performed as at 5 April 2019, using the Projected Unit Method.

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

The pensions charge for the year represents contributions payable by the company to both the APSNPS and AWPP schemes and amounted to £1,070,000 (2021: £733,000).

International Accounting Standard 19 'Employee benefits' (revised 2011)

The company makes contributions to a defined benefit scheme, the APSNPS, which is operated by the UK intermediate parent company, Arriva plc. As outlined in Note 2.1, the company accounts for contributions as if they were to a defined contribution pension scheme.

22. CALLED UP SHARE CAPITAL

	2022 £000	2021 £000
Authorised, allotted, called up and fully paid		
1,000,010 Ordinary shares of £0.10 each (2021: 1,000,010)	100	100

23. CAPITAL COMMITMENTS

At 31 December the company had capital commitments which have been contracted for but not provided in these financial statements as follows:

	2022 £000	2021 £000
Property plant and equipment	-	200
	-	200

GRAND CENTRAL RAILWAY COMPANY LIMITED

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

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. POST BALANCE SHEET EVENTS

On 7 June 2023 the company issued 100 ordinary A shares of £0.10 nominal value to its immediate parent, Arriva UK Trains Limited. The cash consideration paid by Arriva UK Trains Limited to the company in exchange for the shares was £49,999,910. The difference between the nominal value of shares issued and the consideration received for the shares has been recorded as share premium.