

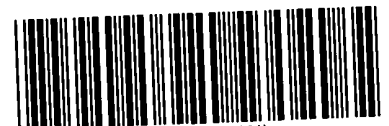
Registered number: 3005018

M40 TRAINS LIMITED

Annual report and financial statements

For the Year Ended 31 December 2016

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M40 TRAINS LIMITED

Company Information

Directors	A Furlong D J Penney A J Scott
Company secretary	L Edwards
Registered number	3005018
Registered office	1 Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
Independent auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

M40 TRAINS LIMITED

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M40 TRAINS LIMITED

Strategic report For the Year Ended 31 December 2016

The directors present their Strategic report for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the company is the operation of long term infrastructure assets relating to The Chiltern Railway franchise. The Chiltern Railway Company Limited, a wholly owned subsidiary of the company, operates passenger railway services primarily between Birmingham, and towns in the M40 corridor, and London Marylebone and between Aylesbury and London Marylebone.

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any major changes in the company's activities in the next year.

REVIEW OF BUSINESS

As shown in the company's statement of comprehensive income on page 7, the company's turnover has increased by 3.7% compared to the prior year. The company made a loss on ordinary activities before taxation of £15.6 million (2015 : profit of £3.8 million). During the year, the company impaired the value of its investment in The Chiltern Railway Company Limited resulting in a charge of £19.5 million which has resulted in a loss being reported for 2016.

The balance sheet on page 8 shows that the company had net assets of £58.2 million at 31 December 2016 (2015 : £74.4 million).

PRINCIPAL RISKS AND UNCERTAINTIES

M40 Trains Limited is a holding company that operates long term rail infrastructure assets with minimum risk exposure to economic conditions. The main risk applicable to the company is the non payment of rents. This is mitigated by the fact that the majority of rents receivable are receivable from a fellow group company and the company has continued financial support of the ultimate parent company, Deutsche Bahn AG.

LIQUIDITY RISK

Deutsche Bahn AG, the ultimate parent company of M40 Trains Limited, provides all of the company's funding facilities. This includes funding for project working capital, capital expenditure and any trading losses. Deutsche Bahn AG also acts as financial guarantor on all performance and liquidity bonds to the Department for Transport ("DfT"). Liquidity risk is managed within the business via regular working capital and cash flow analyses, which are reviewed at board level.

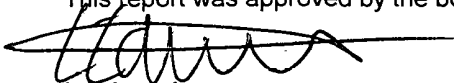
KEY PERFORMANCE INDICATORS

The directors of the ultimate parent company, Deutsche Bahn AG, manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of M40 Trains Limited. The development performance and position of the group, including this company, is discussed in the group's annual report which does not form part of this report.

FUTURE DEVELOPMENTS

The directors remain confident that the company will continue to operate in line with expectations.

This report was approved by the board on 19 April 2017 and signed by order of the board.



L Edwards
Company secretary

M40 TRAINS LIMITED

Directors' report For the Year Ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The loss for the financial year, after taxation, amounted to £16,286,000 (2015 : profit £3,321,000).

The directors do not propose to pay any dividend on the issued share capital of the company in respect of the year ended 31 December 2016 (2015 : £Nil).

DIRECTORS

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

A Furlong
D T Rimmer (resigned 4 October 2016)
D J Penney
A J Scott (appointed 3 March 2017)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of financial risk management objectives and policies are shown in the annual report of the UK intermediate parent company, Arriva plc, which does not form part of this report.

MATTERS COVERED IN THE STRATEGIC REPORT

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the audited financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

M40 TRAINS LIMITED

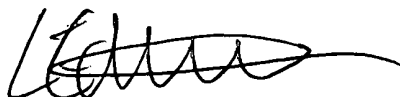
**Directors' report
For the Year Ended 31 December 2016**

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

This report was approved by the board on 19 April 2017 and signed by order of the board.



L Edwards
Company secretary

M40 TRAINS LIMITED

Independent auditors' report to the members of M40 Trains Limited

Report on the financial statements

Our opinion

In our opinion M40 Trains Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report") comprise:

- the Balance sheet as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

M40 TRAINS LIMITED

Independent auditors' report to the members of M40 Trains Limited

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, as set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

M40 TRAINS LIMITED

Independent auditors' report to the members of M40 Trains Limited

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' Report and financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



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

19 April 2017

M40 TRAINS LIMITED

Statement of comprehensive income For the Year Ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	4	6,869	6,622
Cost of sales		<u>(2,874)</u>	<u>(2,702)</u>
Gross profit		3,995	3,920
Administrative expenses		<u>(17)</u>	<u>(8)</u>
Operating profit	5	3,978	3,912
Amounts written off investments	11	(19,522)	-
Interest payable and similar charges	7	<u>(74)</u>	<u>(81)</u>
(Loss)/profit on ordinary activities before taxation		(15,618)	3,831
Taxation on (loss) / profit on ordinary activities	8	<u>(668)</u>	<u>(510)</u>
(Loss)/profit for the financial year		<u>(16,286)</u>	<u>3,321</u>
Total comprehensive (expense) / income for the year		<u>(16,286)</u>	<u>3,321</u>

The notes on pages 10 to 23 form part of these financial statements.

M40 TRAINS LIMITED
Registered number: 3005018

Balance sheet
As at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	22,568	23,631
Investments	11	30,478	50,000
		<u>53,046</u>	<u>73,631</u>
Current assets			
Debtors	12	9,811	14,001
		<u>9,811</u>	<u>14,001</u>
Creditors: Amounts falling due within one year	13	(1,758)	(9,946)
		<u>8,053</u>	<u>4,055</u>
Net current assets		<u>8,053</u>	<u>4,055</u>
Total assets less current liabilities		<u>61,099</u>	<u>77,686</u>
Creditors: Amounts falling due after more than one year	14	(800)	(840)
		<u>60,299</u>	<u>76,846</u>
Provisions for liabilities			
Deferred taxation	15	(2,142)	(2,403)
		<u>(2,142)</u>	<u>(2,403)</u>
Net assets		<u>58,157</u>	<u>74,443</u>
Capital and reserves			
Called up share capital	16	376	376
Share premium account		90,000	90,000
Capital redemption reserve		2,176	2,176
Profit and loss account		(34,395)	(18,109)
Total shareholders' fund		<u>58,157</u>	<u>74,443</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 April 2017.



D J Penney
Director

The notes on pages 10 to 23 form part of these financial statements

M40 TRAINS LIMITED

**Statement of changes in equity
For the Year Ended 31 December 2016**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2016	376	90,000	2,176	(18,109)	74,443
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(16,286)	(16,286)
Total comprehensive expense for the year	-	-	-	(16,286)	(16,286)
At 31 December 2016	376	90,000	2,176	(34,395)	58,157

**Statement of changes in equity
For the Year Ended 31 December 2015**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2015	376	90,000	2,176	(21,430)	71,122
Comprehensive income for the year					
Profit for the financial year	-	-	-	3,321	3,321
Total comprehensive income for the year	-	-	-	3,321	3,321
At 31 December 2015	376	90,000	2,176	(18,109)	74,443

The notes on pages 10 to 23 form part of these financial statements.

M40 TRAINS LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2016**

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 TURNOVER

Turnover is rental income from infrastructure assets receivable from its subsidiary, exclusive of Value Added Tax and trade discounts. Rental income is recognised on a straight line basis over the lease term.

1.3 INTANGIBLE ASSETS

Franchise replacement costs are capitalised and amortised over the life of the franchise.

The company's policy is to write off any costs incurred prior to being appointed preferred bidder. Intangible fixed assets relate to those costs incurred as preferred bidder in relation to the franchise which commenced on 2 March 2002. These costs have been fully impaired.

M40 TRAINS LIMITED

Notes to the financial statements For the Year Ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.4 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at purchase cost including directly attributable finance costs, net of accumulated depreciation and provision for impairment.

Depreciation is provided on all tangible fixed assets, excluding freehold land, which is not depreciated.

Depreciation is provided on the following bases:

Leasehold improvements & investment property	--	over the remaining lease term or remaining asset life in line with the franchise agreement as appropriate (between 16 and 40 years)
Plant & machinery	-	straight line up to 15 years

1.5 INVESTMENT PROPERTY

Investment properties are measured at cost, including transaction costs. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property, is recognised in the statement of comprehensive income within the period of derecognition.

Freehold land is not depreciated. For all other investment property, depreciation is calculated on a straight-line basis to allocate cost less residual value of the assets over the remaining term of the lease.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the carrying value and the cost of the property do not change. If owner occupied property becomes an investment property, the company accounts for such property in accordance with the accounting policy stated under property, plant and equipment up to the date of change in use.

The cost of maintenance, repairs and minor equipment is charged to the comprehensive income statement as incurred; the cost of major renovations and improvements is capitalised.

1.6 OPERATING LEASES

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

M40 TRAINS LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2016**

1. ACCOUNTING POLICIES (CONTINUED)**1.7 INVESTMENTS**

Investments held as fixed assets are shown at cost less provision for impairment. Investments are reviewed annually for potential impairment. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

1.8 DEBTORS

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

Trade and other debtors are considered to be impaired when there is objective evidence that the estimated future cash flows associated with the asset have been affected. In addition, certain trade and other debtors that are not considered to be individually impaired, may be assessed for impairment on a collective basis. Objective evidence for impairment could be observable changes in national or local economic conditions / government policies on transport.

Loans and other non derivative financial assets, with fixed or determinable payments that are not quoted in an active market, are included within current assets, except for maturities greater than 12 months after the end of the reporting period. Those loans and other debtors which are deemed payable more than 12 months after the balance sheet date, are classed as long term debtors.

1.9 CREDITORS

Creditors are obligations to pay for goods / services that have been acquired in the ordinary course of business.

Trade and other creditors are initially stated at fair value.

1.10 GOVERNMENT GRANTS

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the statement of comprehensive income over the estimate useful economic lives of the assets to which they relate.

M40 TRAINS LIMITED

Notes to the financial statements For the Year Ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.11 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
 - 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;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- 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 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 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 18 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which permits a qualifying entity to apply the recognition, measurement and disclosure requirements of *International Financial Reporting Standards as adopted by the EU* ("Adopted IFRS 5"), but makes amendments where necessary in order to comply with the Companies Act 2006.

The company's date of transition to FRS 101 was 1 January 2014 and the company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements, the most significant of which are summarised above.

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

M40 TRAINS LIMITED

Notes to the financial statements For the Year Ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.12 CURRENT AND DEFERRED TAXATION

The tax charge in the statement of comprehensive income represents the sum of the tax currently payable and the deferred tax charge 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 taxation payable is based on the taxable profit for the year. Taxable profit can differ from net profit 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 for current taxation is calculated using rates prevailing during the year.

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

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary 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 subsequently 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.

M40 TRAINS LIMITED

Notes to the financial statements For the Year Ended 31 December 2016

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Application of certain company accounting policies required management to make judgements, assumptions and estimates concerning the future as detailed below.

2.1 Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 10 for the carrying amount of the tangible fixed assets and Note 1.4 for the useful economic lives for each class of assets.

2.2 Impairment of debtors

The company make an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the counter parties, the ageing profile of debtors and historical experience. See Note 12 for the carrying amount of debtors.

3. GENERAL INFORMATION

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

The registered company number is 3005018 and the address of the registered office is 1 Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP.

4. TURNOVER

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

All turnover arose within the United Kingdom.

5. OPERATING PROFIT

The operating profit is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets - owned by the company	1,063	1,058
Operating lease rentals		
- other operating leases	1,647	1,539

The company has no employees other than the directors, who did not receive any remuneration, in respect of their service, to the company (2015 : £NIL).

M40 TRAINS LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2016**

6. AUDITORS' REMUNERATION

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

	2016 £000	2015 £000
Fees for the audit of the Company	9	7

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £000	2015 £000
Inter-company interest payable	74	81
	<u>74</u>	<u>81</u>

8. TAXATION ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	2016 £000	2015 £000
Corporation tax		
Current tax on (loss) / profits for the year	929	910
Total current tax charge	<u>929</u>	<u>910</u>
Deferred tax		
Origination and reversal of timing differences	(259)	(400)
Adjustments in respect of prior years	(2)	-
Total deferred tax credit (Note 15)	<u>(261)</u>	<u>(400)</u>
Total taxation on (loss) / profit on ordinary activities	<u>668</u>	<u>510</u>

M40 TRAINS LIMITED

Notes to the financial statements For the Year Ended 31 December 2016

8. TAXATION ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
(Loss) / profit on ordinary activities before taxation	(15,618)	3,831
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 : 20.25%)	(3,124)	776
Effects of:		
Impairment of fixed asset investment	3,905	-
Adjustments to tax charge in respect of prior years	(2)	-
Impact of rate change on deferred tax	(111)	(266)
Total tax charge for the year	668	510

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

On 8 July 2015, the Chancellor announced that the main rate of UK Corporation Tax would reduce from 20% to 19% from 1 April 2017 with a further reduction to 18% on 1 April 2020.

This change was enacted on 26 October 2015.

On 16 March 2016, the Chancellor announced that the main rate of UK Corporation Tax would instead reduce to 17% on 1 April 2020. These changes were enacted on 15 September 2016.

M40 TRAINS LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2016**

9. INTANGIBLE ASSETS

	Franchise replacement costs £000
Cost	
At 1 January 2016	4,586
At 31 December 2016	<u>4,586</u>
Accumulated amortisation and impairment	
At 1 January 2016	4,586
At 31 December 2016	<u>4,586</u>
Net book value	
At 31 December 2016 & 31 December 2015	<u><u>-</u></u>

10. TANGIBLE ASSETS

	Investment property £000	Leasehold improvements £000	Plant & machinery £000	Total £000
Cost				
At 1 January 2016	29,994	5,054	3	35,051
At 31 December 2016	<u>29,994</u>	<u>5,054</u>	<u>3</u>	<u>35,051</u>
Accumulated depreciation				
At 1 January 2016	8,420	2,999	1	11,420
Charge for the year	809	254	-	1,063
At 31 December 2016	<u>9,229</u>	<u>3,253</u>	<u>1</u>	<u>12,483</u>
Net book value				
At 31 December 2016	<u><u>20,765</u></u>	<u><u>1,801</u></u>	<u><u>2</u></u>	<u><u>22,568</u></u>
<i>At 31 December 2015</i>	<u><u>21,574</u></u>	<u><u>2,055</u></u>	<u><u>2</u></u>	<u><u>23,631</u></u>

The directors believe that there is no material differences between the fair value and carrying value of the investment property.

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Notes to the financial statements For the Year Ended 31 December 2016

11. INVESTMENTS

	Shares in subsidiary companies £000
Cost or valuation	
At 1 January 2016	92,483
At 31 December 2016	92,483
Accumulated impairment	
At 1 January 2016	42,483
Charge for the year	19,522
At 31 December 2016	62,005
Net book value	
At 31 December 2016	30,478
<i>At 31 December 2015</i>	<i>50,000</i>
SUBSIDIARY UNDERTAKINGS	

The following is a subsidiary undertaking of the company:

Name	Address of registered office	Class of shares	Holding	Principal activity
The Chiltern Railway Company Limited	1 Admiral Way, Doxford International Business Park Sunderland, SR33XP	Ordinary	100 %	Passenger railway services

The principal activity of The Chiltern Railway Company Limited is the operation of passenger railway services between Birmingham and towns in the M40 corridor and London Marylebone and between Aylesbury and London Marylebone.

During the year, the company impaired the value of its investment in The Chiltern Railway Company Limited following the directors re-assessment of the value of the investment resulting in an impairment charge of £19,522,000 (2015: £Nil).

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**Notes to the financial statements
For the Year Ended 31 December 2016**

12. DEBTORS

	2016 £000	2015 £000
Amounts owed by group undertakings	9,332	13,508
Other debtors	75	65
Prepayments and accrued income	404	428
	9,811	14,001

13. CREDITORS: Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	383	480
Amounts owed to group undertakings	9	8,240
Corporation tax	929	910
Accruals and deferred income	437	316
	1,758	9,946

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

	2016 £000	2015 £000
Accruals and deferred income	800	840
	800	840

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Notes to the financial statements For the Year Ended 31 December 2016

15. DEFERRED TAXATION

	Deferred tax £000
At 1 January 2016	2,403
Credited to comprehensive income (Note 8)	(261)
At 31 December 2016	2,142

The provision for deferred taxation is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	2,142	2,403
	2,142	2,403

16. CALLED UP SHARE CAPITAL

	2016 £	2015 £
Authorised		
2,175,882 Cumulative redeemable preference shares of £1 each (2015: 2,175,882)	2,175,882	2,175,882
215,009 Ordinary shares of £1 each (2015: 215,009)	215,009	215,009
79,110 "B" Ordinary shares of £1 each (2015: 79,110)	79,110	79,110
8,069,220 "C" Ordinary shares of £0.01 each (2015: 8,069,220)	80,692	80,692
150,000 "D" Ordinary shares of £0.01 each (2015: 150,000)	1,500	1,500
	2,552,193	2,552,193
Allotted, called up and fully paid		
215,009 Ordinary shares of £1 each (2015: 215,009)	215,009	215,009
79,110 "B" Ordinary shares of £1 each (2015: 79,110)	79,110	79,110
8,069,220 "C" Ordinary shares of £0.01 each (2015: 8,069,220)	80,692	80,692
150,000 "D" Ordinary shares of £0.01 each (2015: 150,000)	1,500	1,500
	376,311	376,311

M40 TRAINS LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2016**

16. CALLED UP SHARE CAPITAL (CONTINUED)**Preference shares**

Under the company's article of association the redeemable preference shares carry an entitlement to a dividend at the rate of 12p per share per annum.

Holders of preference shares have one vote for every share held but only on a resolution for the winding-up of the company or on a resolution affecting the rights attached to the shares. Preference shareholders have the right on a winding-up to receive, in priority to any other class of shares, the sum of £1.25 per share together with any arrears of dividend.

As at 31 of December 2016 there are no allotted called up and fully paid preference shares (31 December 2015 : none).

'B' Ordinary and 'C' Ordinary shares

'B' Ordinary shares and 'C' Ordinary shares are equity shares. They rank pari passu and carry an entitlement to a dividend in proportion to the total voting rights attached to each share on the date the dividend is declared.

'D' Ordinary shares

'D' Ordinary shares are equity shares. Holders of these shares are not entitled to receive any dividends nor otherwise participate in the profits of the company. There are no voting rights attached to 'D' Ordinary shares.

17. OPERATING LEASE COMMITMENTS

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016	2015
	£000	£000
Land and buildings		
Not later than 1 year	1,093	1,061
Later than 1 year but not later than 5 years	4,704	4,244
Later than 5 years	-	1,061

M40 TRAINS LIMITED

**Notes to the financial statements
For the Year Ended 31 December 2016**

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Arriva Trains Holdings Limited.

The ultimate parent company and ultimate controlling party is Deutsche Bahn AG, a company registered in Germany, which has prepared group financial statements incorporating the results of M40 Trains 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 M40 Trains Limited.

Information on M40 Trains Limited can be found at their registered address 1 Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP.

Transactions and balances 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.