Registered number: 03005018

M40 TRAINS LIMITED

Annual report and financial statements

For the Year Ended 31 December 2022

Company Information

Directors	A Furlong A J Scott J J Taylor
Registered number	03005018
Registered office	1 Admiral Way Doxford International Business Park Sunderland SR3 3XP
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

Contents

Strategic report
For the Year Ended 31 December 2022

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

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 is a wholly owned subsidiary of the company, which is part of Arriva group. The principal activity of The Chiltern Railway Company Limited is the operation of passenger railway services primarily between London and Birmingham, Oxford, Aylesbury and towns along the M40 *corridor.*

There were no significant changes in the company's principal activities during the year.

REVIEW OF BUSINESS

The company made a profit before tax of £3,551,000 (2021: £4,147,000). The decrease is largely attributable to the introduction of a dilapidations provision, increasing cost of sales.

The balance sheet on page 12 shows that the company had net assets of £75,425,000 at 31 December 2022 (2021: £72,507,000). The increase in net assets is entirely due to the profit generated during the year.

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

FUTURE DEVELOPMENTS

The company is a wholly owned subsidiary of Deutsche Bahn AG and part of the Arriva group which Deutsche Bahn AG heads. The company is a holding company providing long term infrastructure assets relating to The Chiltern Railway franchise.

The company voluntarily participates in a group cash pooling arrangement operated by its ultimate parent, Deutsche Bahn AG ('DB'). This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies, and the company has been party to this arrangement for several years. Under the arrangement all the company's cash balances are swept into the group cash pool at the end of each business day. The company has a positive cash pooling balance at the balance sheet date and the directors expect the company's pooled cash balance to remain positive over the going concern assessment period.

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

Since inception of the pooling arrangement, the company has never experienced any issue being able to draw upon its cash balances within the group cash pool to settle its liabilities as they fall due. The company also has a unilateral right to terminate its participation in the group cash pooling arrangement by giving one month's notice to DB.

Furthermore, as set out in the Deutsche Bahn AG ('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 directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to have full and immediate access to its pooled credit facility balances with DB such that they will be able to operate for the foreseeable future. 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.

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

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

- Suppliers
- Deutsche Bahn AG
- Arriva plc
- Arriva Trains Holdings Limited
- The Chiltern Railway Company Limited
- Local communities in which the company is based.

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

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

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 company effectively execute the Arriva group's strategy.

The directors of the company promote good governance, which is key to driving the success of the company. The directors aim to align with values of the Arriva group and maintain effective relationships with all stakeholders who are critical to the long-term success of the company. The directors consider the Arriva group values when making decisions.

SECTION 172 STATEMENT (CONTINUED)

The company takes payment practice commitments to suppliers seriously and seeks to ensure prompt payment of invoices (in line with Arriva group's defined policies) and 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 suppliers.

This report was approved by the board on 14 September 2023 and signed on behalf of the board.

A J Scott
Director

Directors' report
For the Year Ended 31 December 2022

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,918,000 *(2021 - £1,423,000)*.

The company did not pay a dividend during the current and previous financial year. The directors do not recommend the payment of a dividend.

DIRECTORS

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

A Furlong
A J Scott
J J Taylor

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 2022 Integrated Report.

EMPLOYEE ENGAGEMENT

The company has no employees and therefore has nothing to report in respect of employee engagement activity during the year.

The company's subsidiary, The Chiltern Railway Company Limited, is an employing company. Details of The Chiltern Railway Company Limited's employee engagement can be found in The Chiltern Railway Company Limited's annual report and financial statements, which do not form part of this report.

MATTERS COVERED IN THE STRATEGIC REPORT

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

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

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 financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

DIRECTORS' CONFIRMATIONS

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

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

This report was approved by the board on 14 September 2023 and signed on its behalf.

A J Scott
Director

Independent auditors' report to the members of M40 Trains Limited

Report on the audit of the financial statements

Opinion

In our opinion, M40 Trains Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; the Statement of comprehensive income and the Satement 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 undertaking) cash pooling arrangements for access to the cash necessary for the day-to-day running of the company and to support the going concern assertion. As per the terms of the company's agreement with DB, the company does not have explicit rights for immediate access to these funds on request, which gives rise to a potential liquidity risk that funds may not be available as required to settle liabilities during the period of 12 months from the date of approval of these financial statements. In addition, and as stated in the DB annual report for the year ended 31 December 2022, 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, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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

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

Independent auditors' report to the members of M40 Trains Limited (continued)

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.

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.

Independent auditors' report to the members of M40 Trains Limited (continued)

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 tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to overstate the company's profit 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 journals entries, in particular, any journal entries posted with unusual account combinations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, including impairment of debtors;
- Consideration as to if there were any legal expenditure in the year to identify potential non-compliance with laws and regulations; and
- Reviewing financial statement disclosures and testing 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.

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.

Independent auditors' report to the members of M40 Trains Limited (continued)

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.

Ian Morrison

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

Statement of comprehensive income
For the Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	4	**5,697**	*5,380*
Cost of sales		**(2,432)**	*(1,176)*
Gross profit		**3,265**	*4,204*
Administrative expenses		**(12)**	*(32)*
Operating profit	5	**3,253**	*4,172*
Interest receivable and similar income	7	**324**	*17*
Interest payable and similar expenses	8	**(26)**	*(42)*
Profit before tax		**3,551**	*4,147*
Tax on profit	9	**(633)**	*(2,724)*
Profit for the financial year		**2,918**	*1,423*
Total comprehensive income for the year		**2,918**	*1,423*

The notes on pages 14 to 30 form part of these financial statements.

Balance sheet
As at 31 December 2022

	Note		2022 £000		*2021 £000*
Fixed assets					
Tangible assets	10		**17,290**		*18,504*
Investments	11		**30,478**		*30,478*
			47,768		*48,982*
Current assets					
Debtors	12	**35,318**		*30,775*	
		35,318		*30,775*	
Creditors: Amounts falling due within one year	13	**(1,016)**		*(2,092)*	
Net current assets			**34,302**		*28,683*
Total assets less current liabilities			**82,070**		*77,665*
Creditors: Amounts falling due after more than one year	14		**(1,701)**		*(1,721)*
			80,369		*75,944*
Provisions for liabilities					
Deferred tax	15	**(3,264)**		*(3,437)*	
Provisions	16	**(1,680)**		-	
Net assets			**75,425**		*72,507*
Capital and reserves					
Called up share capital	17		**376**		*376*
Share premium account			**90,000**		*90,000*
Capital redemption reserve			**2,176**		*2,176*
Profit and loss account			**(17,127)**		*(20,045)*
Total shareholders' funds			**75,425**		*72,507*

The financial statements on pages 11 to 30 were approved and authorised for issue by the board and were signed on its behalf on 14 September 2023.

A J Scott
Director

The notes on pages 14 to 30 form part of these financial statements

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

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2021	**376**	**90,000**	**2,176**	**(21,468)**	**71,084**
Comprehensive income for the year					
Profit for the financial year	-	-	-	1,423	1,423
Total comprehensive income for the year	**-**	**-**	**-**	**1,423**	**1,423**
At 31 December 2021 and 1 January 2022	**376**	**90,000**	**2,176**	**(20,045)**	**72,507**
Comprehensive income for the year					
Profit for the financial year	-	-	-	2,918	2,918
Total comprehensive income for the year	**-**	**-**	**-**	**2,918**	**2,918**
At 31 December 2022	**376**	**90,000**	**2,176**	**(17,127)**	**75,425**

The notes on pages 14 to 30 form part of these financial statements.

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

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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.

GOING CONCERN

The company is a wholly owned subsidiary of Deutsche Bahn AG and part of the Arriva group which Deutsche Bahn AG heads. The company is a holding company providing long term infrastructure assets relating to The Chiltern Railway franchise.

The company voluntarily participates in a group cash pooling arrangement operated by its ultimate parent, Deutsche Bahn AG ('DB'). This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies, and the company has been party to this arrangement for several years. Under the arrangement all the company's cash balances are swept into the group cash pool at the end of each business day. The company has a positive cash pooling balance at the balance sheet date and the directors expect the company's pooled cash balance to remain positive over the going concern assessment period.

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

Since inception of the pooling arrangement, the company has never experienced any issue being able to draw upon its cash balances within the group cash pool to settle its liabilities as they fall due. The company also has a unilateral right to terminate its participation in the group cash pooling arrangement by giving one month's notice to DB.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

GOING CONCERN (CONTINUED)

Furthermore, as set out in the Deutsche Bahn AG ('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 directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the company will continue to have full and immediate access to its pooled credit facility balances with DB such that they will be able to operate for the oreseeable future. The financial statements do not contain the adjustments that would arise if the company were unable to continue as a going concern.

1.2 TURNOVER

Turnover comprises rental income from infrastructure assets receivable from its subsidiary company, net of value added tax and trade discounts. Rental income is recognised on a straight line basis over the lease term.

1.3 LEASES

Lessor accounting
The company classifies assets leased to its subsidiary as operating or finance leases. Leases are categorised as finance leases if it is determined that the risks and rewards of ownership of the asset has transferred to the lessee. Where leases are categorised as finance leases, the tangible asset is derecognised from the balance sheet and a finance lease receivable is recognised at the net investment value of the lease, with any balance charged to the statement of comprehensive income.

Tangible assets leased to the company's subsidiary under operating leases are not derecognised, with rental income recognised in accordance with the company's turnover policy.

1. ACCOUNTING POLICIES (CONTINUED)

1.3 LEASES (CONTINUED)

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

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

Corresponding right-of-use assets are measured at the initial amount of the lease liability, adjusted for any lease payments prepaid at the commencement date, initial direct costs, lease incentives, and an estimate of costs to dismantle or remove the underlying asset. Subsequently, the right-of-use asset is depreciated on a straight-line basis over 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). Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

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

For sub-leases determined to be finance leases, the company does not recognise a right-of-use asset (to the extent that it is subject to the sub-lease) and instead recognises a lease receivable. If the head lease is a short-term lease to which the company applies an exemption as described above, then the sub-lease is classed as an operating lease.

1. ACCOUNTING POLICIES (CONTINUED)

1.4 TANGIBLE ASSETS

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Tangible assets include right-of-use assets under lease arrangements. Note 1.3 outlines the accounting policies for such assets.

Depreciation is provided at rates calculated to write off the cost of the assets 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 all tangible assets, excluding investment property land which is not depreciated.

Depreciation is provided on the following basis:

Leasehold properties & investment property	- over the remaining lease term or remaining asset life in line with the Chiltern franchise agreement as appropriate (between 16 and 40 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 are recognised in the Statement of comprehensive income within the period of derecognition. Investment property land is not depreciated. For all other investment property the depreciation is calculated on a straight-line basis to allocate cost, less residual value of the assets, over their estimated useful lives.

1.6 INVESTMENTS

Investments held as fixed assets are shown at cost less 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. ACCOUNTING POLICIES (CONTINUED)

1.7 DEBTORS

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

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

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

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.

1.8 CREDITORS

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

1.9 CAPITAL 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.10 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - 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 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 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 UK (UK-adopted international accounting standards), 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. ACCOUNTING POLICIES (CONTINUED)

1.11 CURRENT AND DEFERRED TAXATION

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

1.12 SHARES AND SHARE PREMIUM

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

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

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Application of certain company accounting policies required management to make judgements, assumptions and estimates concerning the future as detailed below.

The preparation of financial statements in conformity with FRS 101 requires management to make estimates and judgements in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expense. Estimates and judgements are based on historical experience and management's best knowledge of the amount. Due to the inherent uncertainty in making estimates and judgements, actual results in future periods may be based on amounts which differ from those estimates.

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 have the most significant effect on the financial statements.

Lease and sub-lease terms and accounting

In determining the lease term at commencement of its lease and sub-lease arrangements with the company's subsidiary management considers the terms of the arrangements and all facts and circumstances of the company's and its subsidiary's operations, including the expected duration of the Chiltern franchise contract, that create an economic incentive to exercise an extension option, or not exercise a termination option (where applicable).

In respect of sub-lease arrangements, management assessed on adoption of IFRS 16 whether the arrangements were operating leases, requiring recognition of a right-of-use tangible asset on transition, or as finance lease receivables, requiring recognition of a receivable due from its subsidiary undertaking, identifying both types of sub-lease arrangements. See Note 1.3 for further details of the accounting policy and Note 10 for the value of right-of-use tangible assets.

2.2 Critical assumptions and key sources of estimation uncertainty

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

Useful economic lives of tangible assets (including right-of-use assets)

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

Impairment of investments

The company reviews investments annually for any indicator of impairment, and where an indicator is identified, an estimate is made of the recoverable amount. The reviews identified no further impairments were required to investments during 2022 (2021: £nil). No reasonable change in cash flows of the company's subsidiary, The Chiltern Railway Company Limited, will be expected to result in impairment of the investment due to the franchise payment mechanism under the National Rail Contract. See Note 11 for further details and for the carrying amount of investments.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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

Dilapidations provisions
The company makes a provision for future costs of dilapidations in Note 16. The estimation of the dilapidations provision is based on the directors' best estimate of future dilapidation costs arising from existing contractual obligations.

3. GENERAL INFORMATION

The company is a private company, limited by shares and incorporated and domiciled in England, the United Kingdom. The registered company number is 03005018 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:

	2022 £000	2021 £000
Depreciation of tangible assets	1,314	1,079

The company has no employees. The directors are employed under an employment contract and remunerated through other group companies, The Chiltern Railway Company limited, Arriva UK Trains Limited, and Arriva Rail London Limited.

6. AUDITORS' REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	2022 £000	2021 £000
Fees payable for the audit of the company's annual financial statements	12	12
	12	12

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

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £000	*2021 £000*
Group interest receivable	324	*17*
	324	*17*

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £000	*2021 £000*
Interest on lease liabilities	26	*42*
	26	*42*

9. TAX ON PROFIT

	2022 £000	*2021 £000*
CORPORATION TAX		
Current tax on profits for the year	840	*982*
Adjustment in respect of prior years	(34)	*-*
TOTAL CURRENT TAX CHARGE	806	*982*
DEFERRED TAX		
Origination and reversal of timing differences	(218)	*662*
Adjustment in respect of prior years	45	*1,080*
TOTAL DEFERRED TAX (CREDIT)/CHARGE (Note 15)	(173)	*1,742*
TOTAL TAXATION CHARGE ON PROFIT	633	*2,724*

9. TAX ON PROFIT (CONTINUED)

FACTORS AFFECTING TOTAL TAX CHARGE 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 £000	*2021 £000*
Profit before tax	**3,551**	*4,147*
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**675**	*788*
EFFECTS OF:		
Adjustment in respect of prior years	**11**	*1,080*
Depreciation in respect of intangible assets	**-**	*30*
Impact of rate change on deferred tax	**(53)**	*826*
TOTAL TAX CHARGE FOR THE YEAR	**633**	*2,724*

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.

10. TANGIBLE ASSETS

	Investment property £000	Leasehold properties £000	Total £000
COST			
At 1 January 2022	**29,994**	**6,562**	**36,556**
Additions	**-**	**100**	**100**
At 31 December 2022	**29,994**	**6,662**	**36,656**
Depreciation			
At 1 January 2022	**13,148**	**4,904**	**18,052**
Charge for the year	**767**	**547**	**1,314**
At 31 December 2022	**13,915**	**5,451**	**19,366**
Net book value			
At 31 December 2022	**16,079**	**1,211**	**17,290**
At 31 December 2021	*16,846*	*1,658*	*18,504*

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

Leasehold properties includes right-of-use assets recognised in accordance with IFRS 16 with a book value as at 31 December 2022 of £926,000 (2021: £1,120,000). Depreciation of £294,000 (2021: £60,000) was charged to these assets in the year.

11. INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2022	**92,483**
At 31 December 2022	**92,483**
Impairment	
At 1 January 2022	**62,005**
At 31 December 2022	**62,005**
Net book value	
At 31 December 2022	**30,478**
At 31 December 2021	*30,478*

The company held the following investment at the balance sheet date:

Name	Registered office	Class of shares	Holding
The Chiltern Railway Company Limited	1 Admiral Way, Doxford International Business Park, Sunderland, SR3 3XP	Ordinary	100%

The directors believe that the carrying value of the investment is supported by its underlying assets.

12. DEBTORS

	2022 £000	*2021 £000*
Amounts owed by group undertakings	**35,315**	*30,723*
Other debtors	**3**	*47*
Prepayments and accrued income	**-**	*5*
	35,318	*30,775*

Amounts owed by group undertakings includes £34,674,000 (2021: £29,737,000) of balances placed in a group wide cash pooling agreement with the ultimate parent company. The amounts placed are unsecured, incur interest up to 2.66% and repayable on demand. In the prior year, amounts placed were interest free.

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

13. CREDITORS: Amounts falling due within one year

	2022 £000	*2021 £000*
Trade creditors	**31**	*136*
Amounts owed to group undertakings	**15**	*14*
Corporation tax	**793**	*989*
Lease liabilities	**88**	*299*
Deferred capital grants	**40**	*40*
Accruals and deferred income	**49**	*614*
	1,016	*2,092*

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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

	2022 £000	*2021 £000*
Lease liabilities	**1,141**	*1,121*
Deferred capital grants	**560**	*600*
	1,701	*1,721*

Included within lease liabilities above is £904,000 (2021: £888,000) due after 5 years.

The cash outflow on leases during the year was £317,000 (2021: £1,631,000).

15. DEFERRED TAX

	2022 £000	*2021 £000*
At 1 January	**3,437**	*1,695*
(Credited)/charged to comprehensive income (Note 9)	**(173)**	*1,742*
At 31 December	**3,264**	*3,437*

The deferred tax liability is made up as follows:

	2022 £000	*2021 £000*
Accelerated capital allowances	**3,264**	*3,437*
	3,264	*3,437*

16. PROVISIONS

	Dilapidations £000
At 1 January 2022	-
Transfer from accruals and deferred income	**576**
Additions	**1,104**
At 31 December 2022	**1,680**

The dilapidations provision represents the directors' best estimate of future dilapidation costs arising from existing contractual obligations.

17. CALLED UP SHARE CAPITAL

	2022 £	*2021 £*
Authorised		
2,175,882 *(2021 - 2,175,882)* Cumulative redeemable preference shares of £1.00 each	**2,175,882**	*2,175,882*
215,009 *(2021 - 215,009)* Ordinary shares of £1.00 each	**215,009**	*215,009*
79,110 *(2021 - 79,110)* "B" Ordinary shares of £1.00 each	**79,110**	*79,110*
8,069,220 *(2021 - 8,069,220)* "C" Ordinary shares of £0.01 each	**80,692**	*80,692*
150,000 *(2021 - 150,000)* "D" Ordinary shares of £0.01 each	**1,500**	*1,500*
	2,552,193	*2,552,193*
Allotted, called up and fully paid		
215,009 *(2021 - 215,009)* Ordinary shares of £1.00 each	**215,009**	*215,009*
79,110 *(2021 - 79,110)* "B" Ordinary shares of £1.00 each	**79,110**	*79,110*
8,069,220 *(2021 - 8,069,220)* "C" Ordinary shares of £0.01 each	**80,692**	*80,692*
150,000 *(2021 - 150,000)* "D" Ordinary shares of £0.01 each	**1,500**	*1,500*
	376,311	*376,311*

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 2022 there are no allotted called up and fully paid preference shares (31 December 2021: 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.

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 the company. Copies of these financial statements can be obtained from Potsdamer Platz 2, 10785 Berlin.

Deutsche Bahn AG is the largest and smallest group to consolidate the financial statements of the company.

Transactions 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.