

**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 that of the operation of bus services.

REVIEW OF BUSINESS

The company's statement of comprehensive income on page 18 shows a loss before tax for the year of £5,425,000 (2021: profit of £3,119,000). Like all Operators, the Business continues to be impacted from the effects of COVID-19. Whilst patronage is recovering, levels are still below the pre-COVID 2019 levels.

At the balance sheet date, the company had net assets of £54,664,000 (2021: £59,066,000). The decrease in net assets is primarily due to the loss for the year and due to the favourable movement in the fair value of derivative financial instruments held by the company.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

KEY PERFORMANCE INDICATORS

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

SECTION 172 STATEMENT

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

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

The 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.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

SECTION 172 STATEMENT (CONTINUED)

The directors are particularly focussed on the interests of its employees and the need to foster business relationships with suppliers, customers, and others. 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.

Governance

The company is a wholly owned subsidiary of Arriva plc, with Deutsche Bahn AG being the ultimate parent company. The directors of the company aim to meet monthly to discuss the matters that cannot be delegated under the Companies Act 2006.

The day-to-day management of the company's business and the implementation of the strategy and policies of the company, including those relating to its relationships with key stakeholders, is managed by the Board.

Board meetings of the company are attended by the directors and the agenda is set in collaboration between directors prior to such meetings. The Board's annual rolling agenda ensures that time is balanced between strategy and operational performance, as well as the Board's wide-ranging governance and regulatory responsibilities. To allow directors to utilise their time and skills effectively at Board meetings, papers are circulated securely and electronically to all directors ahead of each meeting.

The Board is supportive of regular director training. With the ever-evolving regulatory and policy landscape in which the Arriva group operates, it is important that the Board maintains a good working knowledge of the Bus sector and how the company operates within this sector, as well as being aware of recent and upcoming developments in the wider legal and regulatory environment.

To support the Board's knowledge and skills, the directors of the Board are provided with directors' duties training.

During the year, the Board continued to operate in accordance with the Arriva group's Corporate Governance Manual, which includes formal procedures for the working of the Board and its committees within the governance framework and delegated authorities.

Principal decisions

Principal decisions are defined by the company as those which impact the long-term sustainable success of the company, or which have a significant effect on the company's stakeholders. Understanding the company's stakeholders and how they and their interests will impact the success of the company over the long-term is a key part of the Board decision making in which they are required to consider the future development, performance and position of the Arriva group.

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.

Sustainability

The Board considers the impact of the company's operations on the community and environment and the long-term sustainability of the company in their decision making to ensure that it is aligned with the Arriva group's mission to become the leading passenger transport partner across Europe and to accelerate the company's journey to becoming a climate neutral company.

Further information on how the directors have had regard to their duties as a director of the company can be found in the following sections:

Employee engagement and employee initiatives – pages 6 to 9
Engagement with stakeholders – pages 9 to 10
Streamlined energy and carbon report – pages 11 to 12