

Strategic report (continued)
For the Year Ended 31 December 2021

FUTURE DEVELOPMENTS (CONTINUED)

Liquidity risk (continued)

The company is currently dependent on the DB credit facility for daily access to the cash flows required to operate and to support the going concern assertion. As the terms of the company's agreement with DB do not provide explicit rights for immediate access to these funds on request and the facility is not formally committed for a specific period of time, and therefore could be withdrawn during the period of 12 months from the date of approval of the financial statements, the directors acknowledge that this indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. However, the directors consider this risk to be highly improbable, as such action would contradict internal group policies and would be inconsistent with the past practice.

Since the inception of the pooling arrangement, the company has never experienced any issues being able to draw upon its cash and available facility balances within the group cash pool to settle its liabilities as they fall due.

Outcome of directors' going concern assessment

The directors acknowledge the uncertainty regarding immediate access to funds placed with DB and from the credit facility, and the ongoing lack of certainty on government funding support that will be in place beyond June 2023. 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 and that management actions over the assessment period will be sufficient to remain within its credit facility limit, such that adequate financing will remain in place and that the company will continue to operate for the foreseeable future.

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

SECTION 172 STATEMENT

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

- 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.

As a holding company for Arriva's UK Bus operations, the directors of the company work to promote the success of the company, by considering the impact that their decisions may have on the company, along with the company's stakeholders. The issues and factors which have guided the directors' decisions are outlined in the 'Principal Risks and Uncertainties' section of this report.

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SECTION 172 STATEMENT (CONTINUED)

The company's key stakeholders include, but are not limited to:

- Deutsche Bahn AG;
- Arriva plc;
- Suppliers;
- Passengers;
- Clients;
- UK Department for Transport;
- Local Transport Authorities; and
- Local communities in which the company is based.

Effective communication is integral to building stakeholder relationships. Understanding the company's stakeholders and how they and their interests will impact on the success of the company over the long-term is a key part of the Board decision making. Listening, identifying future needs and being able to respond quickly is critical. Teams across the company's businesses use a variety of channels and approaches to engage with customers, assessing satisfaction and gathering feedback.

During the financial year ended 31 December 2021 there were no principal decisions made which impacted the long-term sustainable success of the company, or which have had a significant effect on the company's stakeholders. However, as a public transport operator, the Arriva group continued to be significantly impacted by the COVID-19 pandemic with a resulting impact on passengers, colleagues, and other business stakeholders. The UK Bus division has worked closely with both local and national government bodies and transport authorities on support measures to ensure continuation of critical transportation services during the pandemic, including the continued use of the COVID-19 Bus Recovery Grant ("BRG") funding in England and Bus Emergency Support ("BES") funding in Wales, to mitigate the impact of the crisis on the UK Bus division.

At the end of the last financial year, as part of a wider project, the Arriva plc Board took the decision to refresh the Arriva group's vision and strategy with the aim of strengthening the group's relationships with clients and partners, growing the business and crucially achieving the Arriva group's higher ambition of having a neutral impact on the planet. This review was completed in early 2022.

The Arriva group's new vision is to 'help shape a future where passenger transport is the best choice'; a future where people choose to leave their cars at home and use the group's services, with less congestion on the roads, and cleaner air for the next generation.

The objective of the Arriva group's new values is that they will help to guide new ways of working and will help in achieving the groups mission and realising its vision. The values start with:

- caring passionately about colleagues, customers, clients and the planet;
- doing the right thing each and every day; and
- finding opportunities to make the difference in everything we do.

The directors of the company aim to meet once a month to discuss the matters that cannot be delegated under the Companies Act 2006. They aim to deliver the above values of the Arriva group, as well as continuing good 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.

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SECTION 172 STATEMENT (CONTINUED)

Certain day-to-day management of the company's operations is delegated by the directors of the company to the UK Bus Executive Team, whose membership includes the directors of the company. The implementation of the strategy and policies of the company, including those relating to its relationships with key stakeholders, are managed by the board of the company. Any major matters of interest are communicated to the Arriva Management Board (the "AMB"), a subcommittee of the board of Arriva plc. The membership of the AMB includes the Managing Director of the Arriva UK Bus division.

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 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.

This report was approved by the board on 7 September 2023 and signed on behalf of the board.



N A Eggleton
Director