DfT OLR Holdings Limited

Annual Report and Financial Statements

For the year ended 31 March 2022

Company Registration Number 07141122

DOHL

Registered office:

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London
SW1H 9EA
England

Contents

Company information

Non-Executive Chairman	Richard George
Chief Executive	Robin Gisby
Chief Financial Officer	Richard Harrison
Non-Executive Directors	David Bennett (resigned 4 June 2021) Tim Buxton Chris Gibb John Macquarrie (*appointed 4 June 2021 resigned 17 June 2022)* Sam Caughey (appointed 19 July 2022) Michelle Handforth (appointed 19 July 2022)
Chief Accounting Officer	Robin Gisby
Company Secretary	Richard Harrison
Chair of Audit Committee	Claire Bullen
Registered Office	Albany House 8th Floor 94-98 Petty France London England SW1H 9EA
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 29 Wellington Street Leeds England LS1 4DL

I'm very pleased to report on the continued performance, activity and effective operations of DOHL and its Train Operating Companies (TOCs) during the financial year from 1 April 2021 to 31st March 2022.

During a very difficult year, when the effect of the Pandemic remained significant, I must congratulate all DOHL Group employees for the way they have effectively maintained services, prioritised the health and safety of passengers and colleagues, implemented measures to reduce its impact on the Group's operations and continued to deliver fleet transformations and digital innovations to further improve the customer experience. The TOCs under DOHL ownership have played an important part in the railway response to the Pandemic.

DOHL has become the Government's public sector operator with responsibility for three train operating companies and a rolling stock leasing company. DOHL facilitates the legal transfer of ownership from the private to public sectors for TOCs when required by the Secretary of State for Transport. Its mandate is to provide good governance, leadership, guidance and direction to the companies under its control, on behalf of the Department for Transport (DfT), for as long as required. It is wholly owned by the Secretary of State for Transport and ensures that its TOCs are managed in the best interests of their customers, stakeholders and the taxpayer. While DOHL was known as the "Operator of Last Resort" it has now become the Government's Public Sector Owning Group. Whilst this does not materially change the structure of the Company, it better reflects DOHL's responsibility for London North Eastern Railway Limited (LNER), Northern Trains Limited (NTL / 'Northern') and South East Trains Limited (SET / 'Southeastern')

These statements cover 2021-2022, the fourth year of operation of the Company. In October 2021, DOHL via its subsidiary, SE Trains Limited, took over the operations of the Southeastern rail franchise, which continues to trade as 'Southeastern'. LNER, NTL and Train Fleet 2019 Limited (TF19) have continued as the other operating companies in the Group during this year.

The transfer of Southeastern's ownership to DOHL occurred on 17 October 2021 following the Secretary of State's announcement on 28 September 2021. The transfer and mobilisation of the new arrangements were undertaken in a way that successfully minimised any disruption to the travelling public and the operator's employees. With the excellent support and hard work of the management and the operator's employees, DOHL's objectives were achieved in an efficient, measured and timely fashion.

Since its transfer to DOHL, Southeastern has continued to successfully deliver on the roll-out of its new City Beam trains and its new leadership team has continued to successfully engage with its stakeholders.

NTL has begun delivering on its new fleet of digital trains while taking over ownership of the Neville Hill Maintenance Depot to further improve the reliability and resilience of its fleet, helping to rebuild trust and positive relations with its stakeholders.

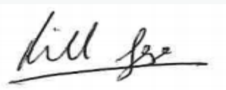
LNER has seen a positive return to rail from its passengers as Covid pandemic restrictions have eased. The company continues to trail-blaze new innovations in digital experience for the benefit of its customers and the wider industry.

In July 2021, Train Fleet (2019) sold the Class 365 fleet to HSBC Bank in accordance with the pre-existing contracts that it had inherited. The sale allowed £92.8m to be recouped and was significantly in excess of that which could have been achieved in an open market transaction.

The Company finances are driven by the scale of operation of the subsidiaries under DOHL control. The CEO of DOHL as part of his duties acts as Chairman of the SET, LNER and NTL Boards. My duties as Chairman of DOHL also extend to being Chairman of Train Fleet (2019).

David Bennett retired from the DOHL Board and his role at the DfT in June 2021. His role has been undertaken since that time by John Macquarrie, also of the DfT. John left the DOHL Board in June 2022 for a new role in Scotland. The Board thanks them both and wishes them well, and is pleased to welcome Sam Caughey, of the DfT, and Michelle Handforth as new appointments.

During the year, DOHL has supported the implementation of the Williams-Shapps review and the transition to Great British Railways, (GBR). Its unique position as a Group with long-distance, regional and London commuter train operators, means that it is well-placed to help take forward future GBR initiatives and to lead and support on transformational industry reform.



Richard George
Chairman
15 August 2022

DOHL has evolved from its original role as the Holding Company for LNER (which transferred to DOHL from Virgin Trains East Coast in 2018) to become the Public Sector Owning Group responsible for three train companies and a rolling stock leasing company.

The three operators within the DOHL Group (LNER, NTL and Southeastern) are together both of a significant scale and represent the broad characteristics of the industry as they cover long-distance, regional and commuter markets.

	Staff Headcount	Passenger Miles 'm	Passenger Journeys 'm
London North Eastern Railway	3,214	2,532.3	16.7
Northern	6,952	1,243.2	67.5
Southeastern*	4,695	792.4	49.1
Total FY 21/22	**14,861**	**4,567.9**	**133.3**
% of Industry average	*n/a*	*19%*	*14%*
Total FY 20/21	**9,974**	**906.9**	**26.5**
% of Industry average	*n/a*	*11%*	*6%*

**commenced trading 17th October-2021*

The focus of all DOHL Group colleagues has remained resolutely on delivering the commitments made in its TOCs' Business Plans, maintaining and improving services and delivering transformational projects and digital innovations, often taking a leadership role within the broader industry. They have continued to perform throughout the pandemic, working tirelessly to mitigate the impact of Covid on their operations and maintain the safety of passengers and colleagues. In addition the company continues with its mandate to maintain a state of readiness to assimilate responsibility for more train operators, as required, and to support the industry's transition to Great British Railways (GBR) and the associated industry reform.

SE Trains Limited (SETL / 'Southeastern')

DOHL, via its subsidiary, SE Trains Limited, took over the operations of the Southeastern rail franchise on 17th October 2021. Previously it was operated by London and South Eastern Railway Ltd (LSER), a company owned by Govia, a joint venture between Go Ahead Group (65%) and Keolis (35%).

I am very grateful to the teams that worked to ensure that all Southeastern operations were unaffected by the transfer, maintaining business as usual whilst at the same time ensuring that the transition was smooth and successful.

Senior leadership changes have included a new Managing Director, Finance Director and HR Director, as well as an additional finance non-executive director appointed to the Board.

The new leadership team has developed a transformational Business Plan that puts safety, customer satisfaction and financial control at the centre of all operations. Flexi season tickets and new tiers of Advance Purchase fares have been introduced during the year to stimulate and support returning demand. Southeastern will continue to focus on delivering its new metro fleet, positively engaging with stakeholders and colleagues, building revenue growth and effectively managing its timetables.

Southeastern's operational performance has seen continued improvements for passengers despite a challenging period with several timetable changes required at short notice in response to the COVID-19 pandemic. Southeastern has exceeded targets set both by the Company and Network Rail. The major driver for this improvement has been the success of revised timetables and close partnership working with Network Rail to upgrade and improve the track and signals, coupled with strong fleet performance.

I am delighted to note that Southeastern was re-accredited with Gold Investors in People (IiP) status this year and customer satisfaction has increased over this period, due to improved on time performance and low levels of cancellations.

Northern Trains Limited (NTL/ 'Northern')
I am very pleased to report that this year, via the Institute of Customer Service bi-annual surveys, Northern saw the biggest improvement in customer service satisfaction in the rail industry with a score of 72.4 out of 100 in January 2022, compared with 68.6 in July 2021 and 62.5 in January 2021. The improvement in score of 9.9 points compares to a 5.2 point rise across the rail industry as a whole.

These improvements are reflected more widely as the business has continued to rebuild trust with stakeholders with a significant increase in headline stakeholder engagement figures. This proactive and collaborative approach resulted in NTL's highest stakeholder engagement scores in its 2021 survey (a 39% net increase), with both organisation and personal relationships rating highly.

Despite the significant impact that the Covid pandemic has had on customer journeys, revenue recovery has remained strong. In the second week of March 2022, Northern recorded its first full week of revenue above equivalent pre-Covid levels at 101%.

Northern has continued to deliver its new rolling stock procurement strategy and has been actively involved with the Manchester Recovery Taskforce industry consultation and the Trans Pennine Route Upgrade. With the full fleet of new trains now embedded and a large-scale station investment programme, Northern has been able to offer customers a transformed experience compared to pre-Covid.

The Neville Hill Maintenance Depot successfully transferred to Northern during this year. I would like to thank everyone involved for their excellent work to deliver the transfer on time. This now provides us with a positive opportunity to transform the operation of this key depot.

Northern has also successfully brought together Rail North Partnership, Network Rail and Northern under the title of Northern Services Working Group to jointly develop proposals for its future timetables to respond to the revised demand of a post-pandemic North.

I am also pleased to note the achievements of several Northern colleagues. In particular, Barry Graham and Marie Addison who were awarded MBEs by the Queen for their services to the rail industry and the local community respectively. Northern was also shortlisted for a series of awards in 2021 in recognition of its initiatives to improve Diversity & Inclusion within Northern and the industry.

London North Eastern Railways (LNER)
Operational performance at LNER has been strong across the year and financial performance continues to exceed expectations, both in terms of revenue and cost control. Delivery of its Business Plan, against a backdrop of demanding cost targets, has been successful.

I'm pleased to report that LNER's passenger numbers have grown faster out of Covid-19 than any other UK operator for three quarters in a row, with a return of almost 90% of pre-covid passenger numbers. Leisure journey revenue has been close to 100% of pre-pandemic levels and business journey revenue is between 40 and 50%. This year, LNER also reintroduced direct services from Middlesborough to London for the first time in over 30 years and is committed to delivering a transformative timetable change in May 2023, procuring a new fleet of trains and achieving net zero by 2045.

LNER has continued to identify new opportunities to improve partnership working with Network Rail where good progress continues with the East Coast Partnership. During this financial year, LNER appointed a new non-executive director from Network Rail. The business continues to pioneer new digital and innovation projects which include digital and smart ticketing, with a further 27 projects in the pipeline at the year end.

Looking forward, delivering cost saving efficiencies across the workforce will be a key area of focus via innovation and more efficient deployment of staff while delivering a world class service.

LNER and DOHL continue to work with Hitachi as investigations into the cracks on the Azuma fleet continue. LNER has successfully implemented contingency plans throughout the year to ensure an adequate service is maintained.

Train Fleet (2019) Limited (TF19)

On 31 March 2021, the company agreed to terminate the leases for its trains with its customer with effect from 31 May 2021. The sale of the trains did not adversely affect the terms of that agreement.

Great British Railway (GBR) and Industry Reform

DOHL is ready and equipped to take on further Train Operators as required during the next financial year. Its TOCs are playing a vital role in shaping the railway of the future, with teams seconded from DOHL TOCs to help the Great British Railways Transition Team succeed.

Further detail on the performance of each company is in the Operations Review.

Robin Gisby
CEO
15 August 2022

The Directors present their strategic report for the year ended 31 March 2022.

OPERATIONS REVIEW

DOHL has responsibility for three train operating companies and a rolling stock leasing company. It maintains constant readiness to take responsibility for other train companies that transfer from the private to public sectors as required by the Secretary of State for Transport. This is to ensure, by using what is known as the Section 30 legislation, that passenger services can continue to operate in England if a franchise terminates early and is not immediately replaced.

DOHL Vision and Strategic Objectives

Over the past financial year, DOHL has evolved from its original role as the holding company for LNER (which transferred to DOHL from Virgin Trains East Coast in 2018) to become the Public Sector rail Owning Group responsible for three train companies.

The three operators within the DOHL Group, (LNER, Northern and Southeastern) are a good representation of the industry as they cover long-distance, intercity, regional, urban and commuter markets. The geographical scope of the Group covers both England and Scotland (via LNER).

Against this background DOHL has developed its Vision, Values and Strategic Objectives

Vision

DOHL's Vision for its train operators is that they will be industry leading in terms of safety, financial, operational and commercial performance and customer service, with an enhanced reputation compared with when they arrived in the Group.

Values

1. Highest levels of safety for passengers, colleagues and the wider public
2. Strong commitment to improving equality, diversity and inclusion
3. Best in class governance
4. Being open, transparent and accountable
5. Pursuit of sustainable and ethical operations

Strategic Objectives

1. To ensure that **first-class safety systems**, oversight and governance are always in place.
2. To **modernise and transform** its TOCs, supporting customer driven business models and the development of initiatives that delivery **industry reform**.
3. To demonstrate best practice in cost control, **revenue management, subsidy reduction and digital innovation**, whilst assuring efficiency to the public purse.
4. To be a highly regarded Owning Group, **employer of choice** and a productive and engaging place to work.
5. To ensure DOHL TOCs uphold the highest levels of **sustainable, ethical and environmental performance.**

Safety systems, Governance and Oversight

DOHL ensures that first class safety systems, oversight and governance are in place at all times. This is achieved on behalf of each TOC Board by a quarterly Safety, Health & Environment Committee ("SHEC"), chaired by a DOHL non-executive director who also briefs the DOHL Board and Oversight Committee on safety matters. A second DOHL non-executive director also attends the SHEC meetings.

The SHEC meetings provide oversight in the following key areas:

- Ensuring that the senior TOC team give safety matters appropriate priority, and discharge their obligations set out in their safety certificate
- Monitor the TOC's safety and environment results against their targets approved by the TOC Board, and challenge appropriately where targets are not being met
- Encourage cross industry safety issue awareness and collaboration, both within DOHL Group and across the national rail industry
- Engage the accountable TOC leaders on topical safety issues, supporting, encouraging and challenging where necessary
- Provide assurance to TOC Boards, DOHL Board and Oversight Committee that safety, security and environmental compliance across the DOHL group is being competently managed

In the event of DOHL taking on another TOC the DOHL Board will continue to ensure necessary due diligence on safety matters is undertaken prior to transfer, satisfy itself that safety leadership roles are filled by people with the necessary experience and competence at the point of transfer, and implement best practice corporate safety management oversight at the earlier possible opportunity after transfer.

Safety is a priority Key Performance Indicator for DOHL and its TOCs. Further information can be found on page 14.

Train Performance

The Public Performance Measure (PPM) is a measure of the punctuality of passenger trains in Britain. It is the primary measure of Operational Train Performance and is the percentage of scheduled trains which successfully run their entire planned route, calling at all timetabled stations, and arrive at their terminating station 'on time' (within ten minutes for long-distance operators and five for regional and commuter operators). Along with other operators, from the start of Control Period 6 (CP6) in April 2019, the Group measures 'Time-to-3'. Unlike PPM, which measures performance only at the final destination, this measure records punctuality at each station called at along the route.

	LNER 2022	LNER 2021	**NTL 2022**	NTL 2021	**SETL 2022**	SETL 2021
PPM	**87.6%**	92.4%	**98.5%**	93.1%	**90.5%**	n/a
Time-to-3	**84.2%**	90.0%	**85.6%**	91.1%	**71.3%**	n/a

At the start of 2021/22 LNER's Time-to-3 was 90%, which is an all-time high for long distance passenger operations on the East Coast route. This was driven to a large extent by the effects of the Covid pandemic, with lockdown restrictions only starting to be relaxed from 12 April 2021. As such, during much of the year, and particularly during summer 2021 LNER saw a large increase in passenger journeys, with more trains, and therefore more interactions on the network than it saw during the first part of 2021. As a result, LNER has seen some decline in Time-to-3 punctuality during 2021/22, but to a lesser extent than originally forecast. At the end of this year, Time-to-3 stands at 84.2%, which remains comfortably ahead of LNER's original target for the year of 68.0%.

Aside from the obvious impacts from the pandemic on passenger ridership and network usage, a large part of the improvement in punctuality over the past two years has been driven by the enhanced performance of LNER's new Azuma trains. With these operating initially in the running times of the older trains they are replacing, early arrivals at intermediate stations increased from just 28% in 2019/20 to 56% over the past year.

LNER's continued focus across the business on managing the detail of performance as part of its 'Keeping Safe, Keeping Time' initiative is reaping benefits. Dwell time compliance at stations has improved by nearly 15% over the past two years, a considerable achievement considering that towards the end of 2021/22 LNER was carrying similar passenger numbers to before the pandemic began in early 2020.

NTL and Southeastern, along with other train operators, measures performance using 3 primary industry key indicators – 'Time-to-3', 'Time-to-15' and Cancellations. Additionally, NTL also measures the number of short-formations and the NTL-only generated delays and cancellations. These indicators provide a useful insight of the level of punctuality and reliability for customers at all station stops along any service route.

In 2021/22 NTL's train service performance has had challenges throughout, primarily driven by the ongoing COVID-19 pandemic impact, weather events and latterly some industrial relations issues. NTL had reinstated services to support increased customer demand, especially the burgeoning leisure market, but, like the rest of the industry, had to adjust the service to adapt to the fluctuating resource levels. High levels of staff isolations impacted resource availability across all NTL's frontline and support services. Seasonal impact also posed complications in service delivery due to challenges for Network Rail in delivering their railhead treatment programmes and vegetation management plans. Delays in NTL's completion of the wheel-slip protection modifications to Class 15X fleets, alongside the persistent poor weather conditions resulted in an overall disappointing autumn performance. A joint review and action plan with Network Rail has been conducted to ensure Autumn 2022 is an improvement on 2021 with lessons learnt and initiatives to improve performance delivery over the longer term as well.

NTL led two industry trials in 2021 for railhead adhesion treatment and it has generated an opportunity to extend the number of trains that are supplied with the equipment for subsequent years.

In response to the Omicron variant of COVID, a number of services were reduced in December, which provided stability for the delivery of donation operations for customers. However, an industrial relations challenge with the Drivers' Trade Union, ASLEF, resulted in the removal of the rest day working agreement and a period of 6 weeks of emergency rostering for Drivers, removing any stability to respond to on-the-day gaps in resource.

The resource-based timetables planned for May and December 2022, alongside NTL's Business Plan ambitions and initiatives, and the continued strengthening of the NTL and Network Rail partnership in performance, provides confidence that NTL will deliver performance and reliability for customers, in line with its recently set targets for 22/23.

Strong operational performance on Southeastern has continued in 2021/22 against a backdrop of changing timetables in response to the pandemic and passenger volumes increasing faster than forecast. Southeastern has increased service levels up to c85% of pre pandemic timetables to meet increasing patronage. This has impacted on time performance with the MAA dropping to 71.3%, 2.3% below the target set when the return of customers was expected to take longer. Time-to-3 missed the year-end target by just 0.1% (89.4 v 89.5%); this equates to just 6000 station stops in excess of the three-minute threshold, out of a total of around 6.5million station stops over the course of the whole year. Time-to-15 delivered better than target at 99.2% versus a target of 99%. Short-formed trains were 0.07% versus target of 0.4%.

Cancellation levels at 0.8% versus a target of 0.91% were extremely low when benchmarked against other operators. Identified trigger levels enabled Southeastern to make planned changes prior to ad hoc service impact across the network and overall high levels of performance were achieved against a challenging environment. DOHL is confident that the combination of Southeastern's Business Plan ambitions and initiatives alongside the continued strengthening of the Southeastern and Network Rail partnership in performance, will enable Southeastern to deliver performance and reliability for its customers, in line with its recently set targets for 22/23.

Modernisation, Transformation and Reform

DOHL TOCs are committed to the development of initiatives and programmes that deliver industry transformation, rebuild revenue, enhance the customer experience and drive forward growth in market share, including modal shift.

Technology and Digital innovation

This financial year saw digital innovation at LNER continue at pace and deliver industry-leading retail and digital best in class experiences across the entire passenger journey. Over the year £6.2m of capital was invested in a portfolio of projects including the industry-first Horizon project to extend the booking horizon, the implementation of Flexi-Season, significant enhancements to its industry-leading mobile app and proof of concepts around the future of Ticket Vending Machines (TVMs).

Alongside this LNER has continued to evolve its Rapid Innovation (Digital Avatar project), Data Science and Machine Learning offerings, enabling LNER to innovate at pace. LNER's second incarnation of Future Labs is a key innovation incubator working with leading external innovators to solve problems in Rail.

In the coming year, LNER will be building on this to further digital innovation for the rail industry whilst delivering cost efficiencies, enhancing self-service, adding customer value, and increasing farebox and ancillary revenue. There is also a real focus on transformative business and technological change to enhance backend systems and employee experience.

For passengers, LNER has revolutionised its on-board catering offer with the introduction of Let's Eat at Your Seat in Standard Class and a better, more consistent seven-day First Class catering offer with the introduction of the Deli, Dish and Dine menus in January 2022. It also moved to offer tickets for sale much earlier than traditional timescales, breaking the industry norm.

LNER Perks was also designed to both reward customers for travelling with LNER and deliver a more comprehensive understanding of customer travel behaviours to enable an improved customer service offering. Despite the impact of travel restrictions, 320,000 members have signed up since launch and £1.3m credit has been awarded to members.

NTL has invested heavily in new transformative technology with good progress on its technology strategy. A new Operations Management and Rostering system (IVU) allows enhanced planning and recovery from disruption. This is linked with a planned £14m upgrade of station Customer Information Systems over the next 4 years. An enterprise-wide Business Intelligence and Analytics platform (Alteryx and Tableau) has been implemented to support data-driven decision making. Data from the large fleet of digitally enabled trains now flows into the platform along with other data sets from all business functions. From a customer interface perspective, a Customer Relationship Management system; Customer and Staff Satisfaction application (Qualtrix), and a new Website and Smart Retailing are all now in place.

NTL's use of LeadMind as its Remote Condition Monitoring system is dramatically increasing the real time understanding of train performance and enabling more timely maintenance interventions. The significant majority of the fleet (both new trains and legacy) are now supported by Digital CCTV systems and NTL is aiming to ensure the network is fully digitalised over the coming years. It now offers its customers a transformed experience (compared to pre-COVID) through significant improvements in its service offer and the delivery of its large-scale station investment programme. NTL has successfully rolled-out its digital trains upgrade programme (which includes WiFi, USB charging points, on train passenger information and CCTV), its full fleet of new trains is now fully operational and all remaining trains have been refurbished. NTL is also progressing a £4.7m capital investment programme in upgrading IT infrastructure and facilities including Networking, Applications platform, Data Storage platform and Cloud Migration.

A new, personalised approach to marketing, and a revised business approach to placing customers at the heart of decision making has contributed to NTL welcoming customers back in increasing numbers.

Southeastern is investing in customer insight to transform and enhance its passenger offer post-pandemic. At the end of the last financial year, Southeastern's customer satisfaction score was 85%, and was consistently high in every period in a narrow band between 84% and 89%. Southeastern's digital Carbon Footprint calculator went live on 22 March 2022, developed to give passengers an easy and convenient way to know the carbon footprint of their journey. Other areas of focus for Southeastern include improving contactless payment points across its network and utilising digitalization within its staff training.

An employer of choice – a productive and engaging place to work

All colleagues across the DOHL Group contribute towards achieving DOHL's objective to create a productive and engaging place to work and to be an 'employer of choice.'

The DOHL Group is committed to building an inclusive and diverse workforce, promoting a culture of equal opportunity, inclusion, diversity and belonging. All DOHL TOCs have implemented diversity and inclusion strategies which aim to build and maintain a culture where everyone can come to work, feel safe and comfortable to be themselves and able to do everything to the best of their ability.

As a Group of inclusive employers, DOHL has zero tolerance for unfair treatment of any kind and does not tolerate discrimination. Governance arrangements through Remuneration Committee and Board meetings ensures that TOC people policies and operational processes are free from bias and fully inclusive of all colleagues regardless of age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief, sex, or sexual orientation.

DOHL's wider aim is for its TOCs to be recognised as the industry's most inclusive employers and for them to create transformed modern workplaces that reflect more accurately the communities they serve. Also, where their people are treated fairly, feel valued and respected, fundamentally able to be themselves at work. DOHL champions and holds each TOC accountable for taking active steps to create an inclusive, safe, and supportive environment where all colleagues are empowered to deliver outstanding work and value.

DOHL's executive team continues to provide strong support and challenge to its TOCs to achieve, as a minimum, the following commitments, and outcomes:

- To significantly increase the representation of currently under-represented groups ensuring the workforces reflect the diversity of modern British society and the customers/passengers they serve.
- To demonstrably celebrate individuality, building an inclusive environment through excellent inclusive leadership. A culture where colleagues are able to be themselves at work because they feel supported, empowered, valued, respected, fairly treated, and able to achieve their full potential.
- To create an accelerated growth in entry-level opportunities with a significant boost in apprenticeships, and specifically targeted recruitment campaigns across areas of social inequality.
- To transform resourcing practices ensuring talent attraction, selection, promotion and retention pool of diverse managers/leaders, train drivers and engineers, driving representation in roles with the highest levels of pay.
- To expand the pool of diverse senior leaders through diverse succession pipelines and accelerated talent programmes with an ambitious desire to better represent the diversity of the communities they serve.
- To ensure that diversity and equality in the supply chain is as strong as in their own organisation, through considering and facilitating diversity in procurement decisions.
- To set ambitious targets for diversity improvement overseen by an appropriate internal governance body and their Remuneration Committees. Data will be critical to measure success and so a rapid improvement in self-identification and to generate the trust to facilitate disclosure is key.

Since their transfer to the DOHL Group, each DOHL TOC has achieved various awards and recognition for their work in the area of equality, diversity, and inclusion. These include:

- Southeastern won the Women in Rail's 2022 Top Employer of the Year Award, for the range of initiatives introduced to support women. Southeastern were also awarded double gold Investors in People (IiP) status this year for the standard IiP and the newer Health and Wellbeing standard. Southeastern have also been shortlisted for the Great Place to Work category at the National Rail Awards this year.

- Northern were shortlisted for a prestigious multi-industry EDI award and received a 'Highly Commended Special Recognition' at the Women in Rail awards 2022 for the quality of their Equality, Diversity, and Inclusion strategy. Northern have also progressed from Silver to Gold standard IiP this year and hold the Investors in Diversity accreditation. Northern are a Level 2 Disability Confident employer.
- In 2021 LNER was awarded the Bronze Inclusive Employers Award and has continued be listed annually as one of the UKs Top Employers (awarded by the Top Employers Institute) following their intensive audits. At the Women in Rail awards (2019), LNER won the Highest Gender Balanced and Diverse Workforce award.

Sustainable, Ethical and Environmental Performance

Environmental Sustainability Strategies are guided through application of DOHL TOCs' ISO 14001 and IS0 50001 certified energy and environmental management systems, and strengthened through their partnerships with Network Rail, industry groups, station tenants, cleaners, and colleagues.

During the year, LNER has increased its recycling segregation, achieved zero waste to landfill for its managed waste and reduced its passenger km carbon footprint significantly as a result of the completed introduction of LNER's bi-mode Azuma trains.

Southeastern's train fleet is 100% electric and the electricity used by its trains (except on HS1) is produced without generating carbon dioxide emissions (CO2e). Southeastern has an ongoing environment and energy plan, which includes a target to reduce Scope 1 and Scope 2 CO2e, and this forms an element of its wider sustainability planning. Southeastern has worked with Network Rail to develop contingency timetables for extremely hot conditions as well as the Key Route Strategy timetables previously developed for snow and icy conditions and deployed in extreme winter weather. The Company is extending energy metering and regenerative braking across more of its fleet.

NTL's Environmental Sustainability Strategy forms part of its wider business Safety, Health, Environment, and Crime (SHEC) Strategy and the Sustainable Development Strategy. The strategy is guided through application of its ISO 14001 and ISO 50001 certified energy and environmental management system, and strengthened through collaborative partnerships with Network Rail, industry groups such as RSSB, NTL contractors, and colleagues.

Further information relating to the Group's carbon tCO2e can be found in the Sustainability report, page 23

KEY PERFORMANCE INDICATORS

In addition to monitoring financial performance, the Group uses a range of key performance indicators (KPIs) for the companies to assess the effectiveness of their performance against their Business Plans. Covid continued to impact the Group's KPI results, the most important of which are in the following key areas. Due to this being Southeastern's first year of trading, no recognised targets are in place, however as a part of the strategic plan, targets have been set in the new financial year. Southeastern results below represent 8 period of trading.

Safety

Safety is at the heart of our approach to running the railway. We are committed to providing a safe working environment for all our colleagues, a safe end-to-end journey for all customers and minimising the impact of our operations on the wider public. Headline safety results include:

Moving annual average (MAA)*	**LNER 2022**	LNER 2021	**NTL 2022**	NTL 2021	**SETL* 2022**	SETL 2021*
Passenger major injuries per 1 million passenger journeys	**0.26**	0.39	**0.33**	0.53	**0.04**	n/a
Workforce lost time accidents per 1,000 employees	**0.74**	0.25	**0.75**	0.51	**0.07**	n/a
Employee physical assaults per 1,000 employees	**1.32**	0.38	**1.67**	1.04	**4.37**	n/a

*Southeastern's Ltd 2022 figures represent six periods actual data rather than MAA due to the TOC only commencing trading within the DOHL Group from 17 October 2021.

This year saw 25 RIDDOR recorded customer incidents (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013), 17 excluding Southeastern (2021: 15 incidents). For staff accidents there were 70 RIDDOR reportable employee accidents, 56 excluding Southeastern (2021: 39 incidents). The increase in staff accidents is partially due to the increase in services compared to the previous years. The number of staff accidents for this year have not reached pre-covid levels and the Group continue to monitor and rectify common factors to ensure the level of accidents and time lost are minimal.

During the reporting year employees who were physically assaulted were 48 LNER (2021: 15), 157 NTL (2021: 80) and 235 Southeastern (2021: n/a). The classification for this differs to that of the police. Any physical contact is recorded as a physical assault. The highest individual causes were related to ticket enforcement and/or dealing with customers reported to be under the influence of alcohol or drugs. Again these increases were related to additional volume as the pandemic eased. The Board is very grateful for the efforts of its staff in dealing with these difficult circumstances especially given what they themselves have been through.

The Group's approach to dealing with this risk is twofold: prevention and prosecution. Initiatives include the rollout of body worn cameras for frontline conductors, gateline staff and travel safety officers. CCTV at stations and on trains is accessible to the British Transport Police (BTP) for the pursuit of evidence in such events. All physical assaults are investigated. The Group continues to have a strong relationship with the Office of Rail and Road (ORR) as the Safety Regulator of Britain's Railways.

The safety of all staff and customers is of paramount importance in particularly that of female and vulnerable colleagues and customers. Working with industry bodies and partner agencies including the Rail Delivery Group, the British Transport Police (BTP) vulnerability units, The Suzy Lamplugh Trust and The Survivor's Trust, together with associated research the Group continue to make improvements to internal training, station environments and customer communications. Staff are empowered to recognise and report such unwanted behaviour.

Employee Engagement

Maintaining and improving employee engagement to deliver on DOHL's strategic objective to be a highly-regarded Owning Group, employer of choice and a productive and engaging place to work continues to be a priority for DOHL TOCs with clear strategies and action plans in place across the Group.

Employee engagement survey	**Index 2022**	Index 2021
LNER: 'Speak from Heart'	**71%**	84%
NTL: Qualtrics 'Colleague surveys'	**59%***	58%*
SETL: 'Your Voice Counts'	**72%**	n/a**

* NTL introduced a new employee survey platform in 2021, Qualtrics, replacing 'The Listening post' in 2021.

**No prior year comparison due to Southeastern only operating from 17 October 2021.

LNER operates an 'always on' listening programme which promotes open dialogue around the experience employees are having with the company. The programme includes annual engagement surveys and a follow up pulse survey conducted six months later to review progress supported by a quarterly ENAS check. Results from LNER's annual 'Speak from the Heart' survey conducted in October saw the overall company engagement index of 71%.

NTL has also introduced a new employee survey platform in 2021, Qualtrics, and has spent the last 12 months in a test and learn phase. NTL's employee advocacy score in our last survey was 59%, meaning 59% of colleagues were likely or very likely to recommend NTL as a good place to work. NTL will continue to monitor engagement, alongside colleague sentiment. NTL's target is to achieve year-on-year improvements in engagement, aiming to reach 75% overall engagement by 2025.

Southeastern's new Colleague Engagement Strategy lays out the fundamental plans to build and maintain a better end-to-end workplace experience with a focus on engaging colleagues in their contribution to, and purpose at, Southeastern. In delivery of this strategy, Southeastern looks to develop an honest feedback culture – to make working together to seek, and act on, feedback from colleagues' integral to the way it operates. Southeastern is working to align all key people related data and utilise this insight to design and drive the colleague experience. Overall company engagement recorded by this year's 'Your Voice Counts' survey was 72%.

Customer Advocacy

DOHL TOCs are using customer insight to create a culture of continuous improvement in the customer experience, empowering colleagues to drive change and address customer priorities.

The Group is pleased to report that this year, via the Institute of Customer Service bi-annual surveys, NTL saw the biggest improvement in customer service satisfaction in the rail industry. NTL scored 72.4 out of 100 in January 2022, compared with 68.6 in July 2021 and 62.5 in January 2021. The improvement in score of 9.9 points compares to a 5.2 point rise across the rail industry as a whole.

For LNER, cleanliness and tidiness of carriages has been consistently one of the highest scoring metrics over the year along with ease of booking seat reservation and metrics linked to availability and friendliness of staff. The launch of the 'Dine' complimentary catering offering in First Class in January saw satisfaction with availability, variety and quality of food and drink metrics reach the highest scores since tracking began (pre-LNER).

In mid-February 2022, LNER launched its new post journey survey (previously known as 'NAS') as part of its new Voice of the Customer programme. Results from the new survey saw CSAT and NAS drop in P12, largely driven by disruption caused by storms. P13 scores recovered and are reporting in line with the previous survey, demonstrating that changes to the survey and methodology have not impacted outputs.

NTL has also moved to a new way of measuring customer advocacy using both Net Promotor Score (NPS) and Customer Satisfaction (CSAT). NTL will continue to work with Transport Focus and Industry Partners to develop a suite of tools to measure customer satisfaction as part of its wider Voice of the Customer Strategy.

Southeastern has continued to conduct weekly Customer Satisfaction surveys (CSS) over the period using external market research agencies and a similar methodology to Transport Focus. CSS performance now stands at 85% and was consistently high in every period in a narrow band between 84% and 89%. Scores for known key drivers of satisfaction like punctuality and reliability, delay handling and facilities on trains and at stations have been strong and are likely to have contributed to the excellent overall satisfaction level.

During the year, through its customer insight panels, Southeastern was able to identify customer priorities on cleanliness, social distancing and value for money. The company is evaluating potential enhancements to its flexible season ticket to better match customer aspirations. It also operates an Accessibility Panel to gain insight into the needs of customers with assisted travel needs.

Stakeholder Engagement

DOHL and its TOCs recognises the importance of building and maintaining strong and successful relationships with customers, stakeholders and partners.

Each TOC has strong engagement programmes in place for all stakeholders from political representatives to local authorities and chambers of commerce. Regular communications through newsletters, meetings, forums, events and Parliamentary sessions keep stakeholders abreast of changes to services and other important updates from across the businesses. Alongside this, DOHL TOCs engage closely with stakeholders within and outside the rail industry on key rail projects on their routes, to understand and shape plans for the future, notably timetable changes and Government decisions on investment.

LNER engages regularly with the APPG for Rail in the North and Consortium of East Coast Main Line Authorities (ECMA) which is a cross-party group of Councils, Combined Authorities and Scottish Regional Transport Partnerships throughout the area served by the East Coast Main Line. Each has a responsibility for enabling economic growth in their own sections of the line. ECMA works to secure investment, improve the passenger experience, improve capacity and reliability and shorten journey times on the East Coast Main Line. LNER is fully aligned to these aspirations and its forthcoming transformational timetable will seek to deliver these aspirations that are so important to stakeholders.

LNER is undertaking collaborative work with Government and industry ahead of the proposed introduction of LNER's major timetable change in 2023, to ensure it effectively communicates the significance and importance of these changes, working collegiately to speak to customers, communities and key stakeholders in a unified, clear and convincing manner.

Stakeholders are vital partners in delivering NTL's vision of having a positive impact on the North. During 2021/22 NTL has continued to build on a strong foundation of stakeholder engagement. This proactive and collaborative approach has resulted in NTL's highest stakeholder engagement scores in the 2021 survey (a 39% net increase), with both organisation and personal relationships rating highly.

To help stakeholders more easily access information about NTL, its operations, and future plans, NTL launched a dedicated stakeholder "hub" on its website. NTL has also refreshed its corporate newsletter which now focuses on key themes that are of interest to stakeholders, giving them a deeper insight into NTL and its priorities. NTL shared its business plan and strategic ambitions with stakeholders at a virtual conference in July, providing a springboard for more focused discussion with individual stakeholders across the year.

Throughout the period, Southeastern held a number of regular stakeholder meetings with local councils to provide updates on the latest development affecting the business, and various parts of the network, answering questions and providing information relevant to each local authority area. Southeastern continues to engage with Community Rail Partnerships (CRPs), expanding from 2 to 5 partnerships since the beginning of the Covid pandemic. This year will see the continued increase in the number of stations adopted by the CRPs and expansion in community rail activity across the network.

As part of a wider stakeholder engagement campaign for the December 2022 timetable change Southeastern has carried out a considerable amount of stakeholder mapping, identifying hotspot areas where stakeholder sentiments are likely to be affected, preparing a route by route summaries for stakeholder reference.

FINANCIAL REVIEW

Covid

Throughout financial year 2021-2022 the Covid pandemic continued to have a detrimental impact on passenger volumes. The Group has sought to follow the government guidelines on travel, introducing a resource led timetable using customer insight to best match service levels to demand.

From a profitability and liquidity point of view however the Group is largely unaffected due to the protections under the Service agreements between each of LNER, NTL and Southeastern with DfT. Under these agreements DfT is taking the revenue and cost risk resulting from Covid. Compensating adjustments are included in LNER's, NTL's and Southeastern's service agreement subsidy/premium mechanism.

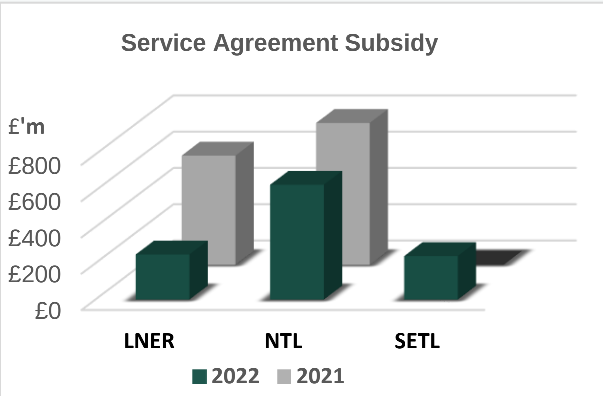
Williams-Shapps Plan for Rail and Great British Railway

With the publication of the Williams-Shapps Plan for Rail last year, the Group has been closely engaging with the Great British Railway Transition Team, the DfT and other industry stakeholders to identify how we can support the progression of the commitments in the white paper. The Board also notes the government's intention to retain the Operator of Last Resort function and remains ready to stand in and operate additional train operating companies should it be required.

Operating performance

Southeastern commenced operations on 17 October 2021, part way though this financial year 2021-2022. On rolling stock, TF19 rental of its Class 365 fleet came to an end with the sale of the entire Class 365 fleet on 1 July 2021.and is classified a discontinued operation in the Income Statement for this financial year, 2021-2022, and in the prior year.

Revenue for the financial year ending 31 March 2022 was £2,192m (2021: £1,621m) which in the main reflects ticket revenue earned from passenger services and associated income earned from catering, car parks, and commission. It additionally includes the DfT service agreement subsidy, in line with other Train Operating Companies (TOCs). Whilst revenue has grown over the financial year, it has also fluctuated with Covid trends and lockdowns. Passenger travel has also returned faster in leisure travel compared to commuting and business.



The service agreement subsidy received by LNER, £248m (2021: £602m) and NTL £633m (2021: £782m) decreased year on year. Southeasterm's, received £231.5m (2021: n/a) for six periods of trading.

The operating expenditure reported in the year was £2,141m (2021: £1,533m), comprising access charges payable to Network Rail for stations and depots, rolling stock lease costs, staff costs and other operating costs.

The profit before taxation from continuing operations for the year was £20m (2021: £50m). The Group's profit for the year ended 31 March 2022 has been bolstered by six periods of Southeastern trading. Each TOC's mechanisms are per its service agreement.

TF19's profit before taxation from discontinued operations is £4.4m, (2021: £2.8m), including expected income from the liquidators of the insolvent Eversholt Rail 9365) Ltd.

The method of Pension accounting applied in the consolidated financial statements has changed this year from the previous 'Franchise Adjustment' method to the 'Income Statement Franchise Adjustment' method. This amends LNER and NTL to be in line with the method that the Southeastern franchise has previously adopted, and to that which is now adopted by an increasing majority of train operating companies. The new approach is seen as more relevant and reliable for a user of the financial statements to follow and is not sensitive to the key accounting judgement around the duration of the Services Agreement.

The comparative years are restated for this change in accounting policy. It should be noted that whilst the comparative year costs of LNER and NTL have decreased on restatement, the directors have confirmed with the DfT, subsidy received remains unchanged therefore no cash implication of the restatement.

Since the year end the RMT, ASLEF and TSSA trade unions have called strikes across the rail industry in Britain. These included the employees of LNER, NTL and Southeastern, as well as Network Rail the infrastructure provider and other train operating companies. Regrettably at the date of signing the financial statements, we anticipate further industrial action. We are working to try to resolve this situation for the benefit of our passengers, our employees, and the company and its shareholder.

Statement of financial position
At 31 March 2022 the Group had net assets of £111m (2021: £90m).

Statement of cash flows
The Group has generated a net cash inflow of £102m (2021: £28m outflow) in the year leaving a cash balance of £303m at 31 March 2022 (2021: £201m).

PRINCIPAL KEY RISKS AND UNCERTAINTIES

The Company maintains a register of strategic risks. The risks which have an impact on the Company's goals and objectives are overseen by the Executive Directors, the Audit and Risk Committee, and the Board. This focus, underpinned by close workings with the DfT and DOHL's other subsidiaries, has ensured that risks are being managed within the Board's risk appetite.

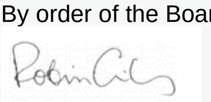
The key risks of the Company that were identified by the Board during the year were:

- The Industrial Relations climate across the industry.
- The threats posed to all organisations through cyber criminality.
- Pressures on train planning and timetabling resources that could impact ability to offer operationally efficient services.
- The ongoing impact of Covid on employee's health and mobility
- The effect of inflation on its cost base and the security of its supplies.

The Group is exposed to external and internal risk factors. The companies are heavily dependent on passenger numbers which are impacted by the Covid recovery but also other external risk factors such as regulatory, economic, and competitor activity. Under the terms of its TOCs' Services Agreement, the Group falls under the regulation of the Department for Transport, and the Office of Rail and Road. Laws and regulations are subject to alteration and amendment and the costs of compliance with new legislation and regulations may have an adverse impact on the Group's financial performance. To mitigate the risk from such changes the Group proactively engages with both Government and railway groups.

Internal risks include failure of internal controls and industrial disputes. The Group operates established formal and robust internal processes to ensure systems and controls are operating effectively, and that the quality and integrity of information provided to it is reliable, enabling Directors to monitor and challenge the performance of the Group, and make informed decisions. The Group also has an established Internal Audit programme within each TOC which has been developed through a risk-based analysis of our operations. Our Internal Audit teams aim to be at the forefront of strategic and technological developments throughout the business and deal with emerging risks as they arise so that, as a business, we can respond to these as effectively as possible.

The retention and recruitment of key personnel is essential to ensure the Group has the correct level of expertise and industry knowledge. To mitigate this risk, the Group undertakes efficiency and effectiveness reviews to optimise organisational design and secure a sound base for development of future workforce capability.
By order of the Board



Robin Gisby,CEO
15 August 2022

The Directors present their annual report, business review and the audited consolidated financial statements for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The principal activity of DOHL is as an owning Group on behalf of DfT for franchised train operations that are moved into government ownership in accordance with Section 30 of the Railways Act 1993. DOHL facilitates the ownership transfer and then provides good governance, support and direction to the operating companies under its control whilst in the Secretary of State for Transport's ownership.

The principal activity of London North Eastern Railway Limited, Northern Trains Limited and SE Trains Limited is the provision of passenger services. Train Fleet (2019) Limited principal activity was the rental of trains, passenger train rolling stock. The non operational subsidiary companies were formed in readiness to facilitate the ownership transfer of a TOC if it were to move into government ownership under DOHL.

Results and dividend

The Group's reported financial performance for the year ended 31 March 2022 shows a profit after tax of £22m (2021: £42m profit restated). The financial performance is reported in these financial statements split between continued and discontinued operations.

The Directors do not propose a dividend for the year, (2021: £nil). The Company did not receive any dividends during the year (2021: £nil).

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed below:

Non-Executive Chairman	Richard George	
Chief Executive Officer; Accounting Officer for Train Fleet (2019) Ltd	Robin Gisby	
Chief Financial Officer	Richard Harrison	
Non-Executive Directors	David Bennett	appointed 22 June 2016, resigned 04 June 2021
	Tim Buxton	
	Chris Gibb	
	John Macquarrie	appointed 04 June 2021, resigned 17 June 2022
	Sam Caughey	appointed 19 July 2022
	Michelle Handforth	appointed 19 July 2022

Company Secretary

The Company Secretary in office during the year and up to the date of signing the financial statements:

Richard Harrison

Directors' attendance at board meetings

The Directors' attendance at Board meetings from 1 March 2021 to 31 March 2022 was as follows:

	Attended	Invited
Richard George	13	13
Robin Gisby	13	13
Richard Harrison	11	13
Chris Gibb	11	13
Tim Buxton	12	13
John Macquarrie	10	12
Dave Bennett	2	2

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

DOHL Group is focused on delivering its Vision, for its train operators to be industry leading in terms of safety, financial operational ad commercial performance and customer service, with an enhanced reputation compared with when they arrived in the Group. Meeting this Vision requires its TOCs to attract more customers to make more journeys, more often, including more customers shifting travel mode to rail, while delivering the services that our communities need. In turn, this will deliver a financially sustainable railway, a strong economy and communities and will protect the environment.

The desirability of the company maintaining a reputation for high standards of business conduct

Code of Conduct

A DOHL Board Operating Framework is in place setting out the role and responsibilities of the Board consistent with the Government Code of Good Practice for Corporate Governance. There is a code of practice for all DOHL Board members in place, consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies and with the rules relating to the use of public funds and conflicts of interest. A code of conduct for staff is in place based on the Cabinet Office's Model Code for Staff of Executive Non-departmental Public Bodies.

Together they ensure there is no misuse of information gained in the course of their public service for personal gain or for political profit, nor the opportunity to use public service to promote their private interests or those of connected persons or organisations. Directors must comply with the Board's rules on acceptance of gifts and hospitality, business appointments and to act in good faith and in the best interests of the Group.

Procedures are regularly reviewed to comply with any legal, regulatory and best practice requirements. They apply and are briefed to all employees and interim workers, regardless of seniority or function to ensure an understanding of the requirements placed upon individuals. Any departure from the applicable code can result in disciplinary actions.

Conflict of interest

Procedures are in place to ensure Directors comply with their duties in relation to conflicts of interest. Board Directors are obliged to provide details of any direct or indirect interests that conflict with, or may conflict with, the Company's interests. At the start of every Board meeting the Chair asks for any interests to be declared.

Political donations

There were no political donations made in the year.

Our relationships help us to maintain high standards of business conduct

The customers and partners are central to the TOC's success. The Group strive to build and maintain a strong brand reputation and grow the business for the long term. A Supplier Code of Conduct is issued to key suppliers outlining how it aspires to manage its long-term supplier relationships. Supplier performance is reviewed and monitored as well as monitoring suppliers from a Modern Slavery aspect.

Ensuring the business is working in the interests of our colleagues

A culture of inclusion is essential, with the Group being dedicated to address any discrepancies, encourage strong affiliation and transparency and to have a diverse workforce. The Group promote an environment of equal opportunity and respect across the entities. The DOHL and its subsidiaries recognise its obligation to give disabled people (visible or otherwise) full and fair consideration for all vacancies within the statutory medical requirement, which must be met for certain grades of staff

Our relationship with suppliers and rail industry partners

Suppliers

DOHL TOCs have set a Supplier Code of Conduct outlining how they aspire to manage long-term supplier relationships. All suppliers are required to agree to these as part of their contract with DOHL TOCs.

In addition to commercial aspects, LNER and NTL has introduced corporate social responsibility measures, such as including Social Value measures in tender evaluations. Via LNER, this has delivered nearly £9m to date. Southeastern will be publishing a new Procurement Social Value Charter by July 2022 which will outline its minimum expected requirements from its supply chain, promoting social value in its tenders, including focuses on economy, diversity and inclusion, health and wellbeing, sustainable communities, environment, and ethics.

DOHL is pleased to report that Southeastern has recently been assessed against the ISO20400 guidance standard for Sustainable Procurement and has been independently assessed as a "mature" organisation, something we will look to build upon and exceed as its new charter becomes embedded in its supply chain.

Each DOHL TOC is subject to the Utilities Contract Regulations and contracts over the relevant thresholds are advertised in the government website Find a Tender (FTS).

Partnerships

During the year, Southeastern has developed much closer collaboration with Network Rail and other organisations, including Transport for London. Southeastern has also established a Collaborative Opportunities Group with a clear remit to improve the customer offering, performance and value as well as participating in the industry's open data initiative, to encourage innovation and improve the customer experience.

LNER has worked very closely with its industry partners this year, particularly Network Rail, to seek new and efficient ways of helping the industry recover from the pandemic.

LNER's East Coast Partnership (ECP) Charter for 2022/23, looks to expand joint activities with Network Rail beyond the original remit of operations and performance to explore how we can align to drive further customer experience improvements.

Partnerships play an important role in NTL's business plan and in delivering the growth which NTL is committed to. This includes relationships with Network Rail, Rail North Partnership and the communities it serves, as well as the wider supply chain.

NTL's relationship with Network Rail continues to strengthen as the two bodies work collaboratively on timetable changes and industry wide projects. NTL forms part of the North West and Central Railway Efficiency Board which includes representatives from train operators and Network Rail working as one team to implement ways to be more efficient while improving service for passengers. The Board complements existing efficiency programmes within organisations across the industry by identifying opportunities that can only be achieved by cross-industry working.

The impact of the company's operations on the community and the environment

Community Engagement

DOHL TOCs have strong community engagement programmes in place, engaging in a range of schemes and projects which:

- foster social inclusion
- position the railway as an enabler for often isolated groups or individuals
- support local economies
- help build a more sustainable future

LNER made charitable donations totalling £24,300 during the year ending 31 March 2022 (2021: £24,300) to the Railway Mission Chaplaincy, and not including projects funded through its Customer and Community Investment Fund. LNER also provided £301,427 through the Customer and Community Investment Fund during the year ending 31 March 2022 (2021: £419,424), representing a six-month running of the scheme including for charitable projects.

In 2021/22 NTL awarded £500,000 through its Customer and Communities Improvement Fund to a number of charities and community groups across our network to support over 20 projects, which will deliver a positive social impact, promote good mental health and wellbeing and foster inclusion.
In addition to charitable donations the Group has shown support to their community by being involved in charitable projects such as:

- Campaign Against Living Miserably (CALM), LNER's charity partner, by creating fundraising opportunities and enabling customers to donate their Delay Repay to CALM
- Samaritans, NTL's charity partner, also enabling NTL's passengers to donate their Delay Repay refunds to the charity.
- Delivering education and employability sessions, for young people and disadvantaged groups, and sponsor events to drive inclusivity.
- Support and collaboration with local charities and third sector organisations across a range of areas including youth and mental health support, rehabilitation from drug and alcohol misuse and support for survivors of domestic abuse.
- Partnerships with wildlife and sustainability charities who support our work and that of our partners.
- Active members of Visit Kent

NTL has a thriving network of community partners, furthering its reach to support communities across the region. In 2021/22 NTL welcomed new groups and organisations to its station adoption programme and has a number of potential new Community Rail Partnerships emerging on its network.

NTL is a signatory to the industry Rough Sleeping Charter and has been involved in a pilot project with Shelter and Network Rail at its Manchester stations to provide a route out of homelessness to individuals sleeping rough in and around the stations. Through the project, colleagues have been given the training and support to understand homelessness and confidence when they are interacting and engaging with people who are rough sleeping. Through the project colleagues can signpost or make referrals to Shelter and outreach engagement works who can provide support needed.

Southeastern continues to increase the number of stations adopted by the Community Rail Partners (CRP) and expansion in community rail activity across its network. Southeastern's annual Community Rail conference went ahead online and was well-received. The event had facilitated the sharing of best practice and new contacts between CRP members and Southeastern. Community projects will continue to expanded on Access-for-All schemes and other projects such as Eynsford waiting room, a project led by the Darent Valley Community Rail group.

Sustainability Reporting
By delivering our strategic objectives we will deliver value for money to our key stakeholders in a safe environment where people feel valued and where we can promote sustainable growth without compromising the ability of future generations to meet their needs.

Being a responsible business underpins the Group's business values, which include managing our impact on the environment. In accordance with the Limited Liability Partnerships (Energy and Carbon Report) Regulations SI 2018/1155, the performance for LNER and NTL's for the period 1 April 2021 to the 31 March 2022 is summarised below. Southeastern data reflects the time period from 17 October 2021 to 31 March 2022. No other group companies have any significant impacts on these metrics.

Data has been collected and emission calculated in accordance with the Green House Gas Protocol Corporate Accounting and Reporting Standard (GHG scope 1-3 emissions).

	Scope	Total* 2022	Carbon tCO2e 2022	Total* 2021	Carbon tCO2e 2021
Energy					
Total gas kwh	1				
LNER		**3,472,033**	**745**	4,541,151	944
NTL		**15,172,205**	**2,779**	10,875,373	2,260
SETL		**7,944,775**	**1,455**	n/a	n/a
		26,589,013	**4,979**	15,416,524	3,204
Traction diesel (litres)	1				
LNER***		**5,456,010**	**18,502**	3,277,347	11,111
NTL		**46,042,953**	**127,013**	38,559,724	130,729
SETL		**29,091**	**72**	n/a	n/a
		51,528,054	**145,587**	41,837,071	141,840
Total non-traction electricity kwh	2				
LNER		**10,607,688**	**3,090**	9,943,554	2,865
NTL		**23,543,666**	**4,999**	22,335,956	6,436
SETL		**14,901,749**	**3,128**	n/a	n/a
		49,053,103	**11,217**	32,279,510	9,301
Traction electricity (EC4T) kwh	2				
LNER		**299,388,163**	**87,212**	274,627,256	79,128
NTL		**101,582,633**	**21,569**	127,017,103	36,597
SETL		**214,880,355**	**45,626**	n/a	n/a
		615,851,151	**154,407**	401,644,359	115,725
Other environmental parameters					
Total water (m3)	3				
LNER		**65,526**	**n/a**	84,121	n/a
NTL		**206,494**	**n/a**	226,936	n/a
SETL		**1,080**	**n/a**	n/a	n/a
		273,100	**n/a**	311,057	n/a
Waste % recycled	3				
LNER		**23%**	**n/a**	67%	n/a
NTL		**70%**	**n/a**	77%	n/a
SETL		**25%**	**n/a**	n/a	n/a
Intensity ratios					
Carbon emissions per £million turnover					
LNER		**n/a**	**144**	n/a	127
NTL		**n/a**	**168**	n/a	199
SETL		**n/a**	**101**	n/a	n/a

*This data includes estimates,

** Carbon conversion has been calculated from the primary unit in which the data was collected.

***2021 value has been updated to reflect improved methodology in LNER.

Our TOCs have maintained certification to ISO14001 and ISO50001 environmental and energy management systems standards. We are aware of the environmental risks posed by both the maintenance and operation of our trains and these sites and activities are regularly audited.

Whilst the return to rail travel has impact the TOCs energy and environment performance, several initiatives were introduced and other events amplify improvements.

- LNER's moving towards the replacement of diesel generator units with batteries.
- LNER's ongoing non-LED light replacement rollout, included LED lighting and sensor controls and recycled steel felt asphalt as part of the Grantham station carpark redevelopment.
- LNER introduced a waste sorting hub at Doncaster and Newcastle, expanding coffee cup recycling at these locations as well as Wakefield.
- NTL's water logger installation programme, identifying consumption issues as and when they happen and subsequently addressing the fault in a timely manner. Year on year water consumption reduced by 21.8%.
- The Depot Facility Owner (DFO) transfer of Neville Hill engineering depot to NTL from October 2021 increased approximately 6 million kWh to NTL's non-traction energy consumption which was better than target. NTL will continue to use its meter and sub-meter information to identify high consuming areas.
- NTL has committed to signing up to the Science-Based targets initiative (SBTi) and develop validated science-based targets for carbon emissions.
- NTL's innovative bin sensor project aims to gain more accurate waste data to improve recycling waste at the stations.
- Southeastern began modifying its Class 395 fleet to allow regenerate braking, estimated to reduce energy use by over 15%.
- A new of Class 707 "City Beam" fleet of Siemens Desiro city trains have been progressively introduced in Southeastern, being more energy efficient than the Class 465/6 networkers.

The increase in travel and passenger footfall saw more tenant outlets at stations opening increasing energy, water and waste consumption.

Going Concern

Whilst the Directors note that revenue recovery and demand are back to pre-Covid level, the Group's profit before interest and tax is in line with expectations. The directors believe the Group is a Going Concern for the following reasons.

Within the Group's TOC subsidiaries, the Services Agreement with the DfT where the contracted subsidy/premium payments from / to the DfT reflect the revenue and costs in the business. Under these agreement DfT is taking the revenue and cost risk resulting from Covid and guarantees a specified profit margin in accordance with the service agreement. LNER has had confirmation that its service agreement will be extended to 28 June 2025, NTL's runs until 1 March 2025 and Southeastern runs until 14 October 2024.

DOHL is wholly owned by the Secretary of State for Transport and is underwritten by the financial security of the UK government. The Secretary of State has set up the Company in connection with the exercise of his statutory duties. In addition to the guaranteed profit margin under the service agreement for the Company's TOCs, a Funding Deed exists between the Company and Secretary of State whereby a loan facility of £440m has been provided to the Company. The facility term ends six months after all termination of all the Services Agreements.

The rail industry plays a critical part in the recovery of the country from the Covid pandemic, economically and socially. Statements from the Government at the start of the pandemic such as "The continued operation of both passenger and freight transport is critically important to our resilience as a country" at the onset of the pandemic and other similar subsequent statements underline the importance of rail to the UK recovery.

Through the Oversight Committee and other communications, the Directors remain in ongoing dialogue with representatives from the Department for Transport about the future of the Company.

Accordingly, the financial statements have been prepared on the going concern basis.

Indemnification of Directors and Officers

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against the Directors of the Group. The Company has indemnified each of the Company's directors and other officers of the Group against certain liabilities that may be incurred as a result of their offices.

Directors' statement of disclosure of information to auditor

The Directors who held office at the date of approval of the Directors' Report confirm that insofar as the Directors are aware, there is no relevant audit information (as defined in section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and they have taken all the steps required of them as directors in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

In accordance with DOHL's Framework Agreement, the Comptroller & Auditor General (C&AG) at the National Audit Office, shall be invited to act as the external Statutory Auditor for the Group.

The financial statements on pages 37 to 86 were approved by the Board of Directors on 15 August 2022 and signed on its behalf by:

Robin Gisby
CEO
15 August 2022

STATEMENT OF DIRECTORS' AND ACCOUNTING OFFICERS' 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 group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group 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 UK-adopted international accounting standards 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 group and company will continue in business.

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

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

Directors' and Accounting Officer's confirmations

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

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

CORPORATE GOVERNANCE

In alignment with the Government Financial Reporting Manual 2021-22, the Company ensures a governance statement is in place. This Corporate Governance Report is intended to provide an understanding of the Company and Group's governance procedures and demonstrate how the Company and Group seek to adhere to the principles of good corporate governance where appropriate for their size and operation. The Governance statement with reference and guidance from the "International Framework: Good Governance in the Public Sector" (CIPFA 2014). was applied to the Company and Group during the financial year and will continue to be relevant for the forthcoming financial year.

DOHL's vision is to provide strong, independent governance, leadership and guidance to its subsidiaries. It also aims to be a key strategic influencer promoting "whole system" working in the rail industry through the period of Industry Reform.

In addition to a more detailed statement of Vision and Values, the Governance Statement sets out the principles by which the Company, its officers and employees should conduct business. These principles were endorsed at the Board and will be re-affirmed or amended on an annual basis.

The Governance Statement addresses seven core principles.

- Visible demonstration of ethical values
- Open stakeholder engagement
- Defining Outcomes that are economically, socially and environmentally sustainable
- Clear interventions when required
- Development of people and an open culture
- Strong Internal controls and Risk Management
- Transparency and Accountability

The Board has assessed its strengths and weaknesses in these areas and set itself improvement actions. In future external input will be sought to gain best practice from other organisations

The Board of Directors

During the year, the Board consisted of the non-executive Chairman, two executive directors being the Chief Executive Officer and the Chief Financial Officer together with three further non-executive directors. The Board usually meets every four weeks and is responsible for monitoring the operational and financial performance of the Company and its subsidiary companies, reviewing progress against the Company's budgets and setting and reviewing its business plans.

The Board of the Company met on thirteen occasions in the period from 1 April 2021 to 31 March 2022. Details of the Directors' attendance at each of these meetings can be found in the Directors' report on page 21.

The Directors are satisfied that the current Board has the breadth of business, financial and operational experience necessary to effectively manage an organisation of the size and type of the Company. During the next financial year, we intend to further strengthen the Board with an additional non executive director.

Information and Board development

The Board receives detailed briefing papers and reports on the business to be conducted at each meeting in advance of the meeting. These papers are provided in advance to allow appropriate time for members of the board to review and challenge the data used in the papers and reports discussed at each meeting. Each briefing paper and report are prepared by the appropriate individual who is responsible for the relevant area of the business.

All Directors have access to the advice and services of the Company Secretary who, if necessary, has access to external legal advice. Board and other meetings are attended by specialist external company secretarial support. Each Director can, if necessary, seek independent professional advice at the Company's expense in the furtherance of their duties.

Directors receive induction training on appointment to the Board, which is tailored to their individual needs and experience, and are offered further specialist advice as they may require. Information is provided to Directors on their responsibilities, regulations and legal obligations.

As part of development of the Company, members of the Board have met and continue to meet a range of key officials from within the Department for Transport and broader stakeholders.

Framework Agreement and Oversight Committee

A Framework Agreement exists between the Company and the Department for Transport which sets out the broad framework within which the Company will operate. The document does not though create legally valid, binding and enforceable obligations on the parties. The Company's responsibilities include providing stewardship and oversight of and managing the mobilisation of the Company and any other operating company established in connection with the Secretary of State for Transport exercising their duties under Section 30 of the Railways Act.

As part of the requirements of the Framework Agreement, an Oversight Committee meeting is held normally on a four weekly basis and chaired by a senior representative from the DfT.

Audit and Risk Committee

The Audit and Risk Committee is chaired by Claire Bullen an independent individual with appropriate expertise. Richard George (non-executive Chair) Tim Buxton and Chris Gibb (all non-executive Directors) are members of the Committee, and Robin Gisby (Chief Executive Officer) and Richard Harrison (Chief Financial Officer) also attend meetings of this Committee when appropriate.

Under its terms of reference, the committee keeps under review the Company's internal and external financial statements and reports to ensure that they reflect best practice.

The committee ensures that the internal audit function has appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards, and that it has adequate standing within the Company. It considers audit reports on the Company from the internal auditors and reviews and monitors management's responsiveness to the findings and recommendations.

The committee is responsible for making recommendations to the Board in respect of the appointment and re-appointment of the Company's external auditors and recommends to the Board the audit fee to be paid to the external auditors.

Remuneration Committee

The Group Remuneration Committee is chaired by Richard George and includes the Non-Executive Directors. The Executive Directors attend as required. Details of the committee's activities along with the Remuneration and staff report can be found on page 30.

Directors and their Interests

The current Directors of the DOHL Board are listed on page 21. A Register of Directors' Interests is maintained by the Company Secretary through whom public inspection can be arranged. None of the Directors have any interests, such as shares in the companies within the Group.

Financial reporting

The Directors have a commitment to best practice in the Company's financial reporting and systems. A statement of the Directors' and Accounting Officers' Responsibilities in respect of the financial statements may be found on page 27.

Directors' and Officers' liability insurance

The Company has Directors' and Officers' liability insurance cover in place as permitted by the Companies Act 2006.

Financial Risk Management
The Board is continually reviewing the exposure to liquidity and cash flow risk. For the year ended 31 March 2022 the Company's risk management controls operated well and the Company was not exposed to any significant risk in these areas.

Internal controls and risk management
The Board is also responsible for maintaining a sound system of internal control that supports the achievement of the Group's goals and objectives. Internal Controls and governance have been reviewed by the Government Internal Audit Agency during the year and will continue to be reviewed. The key risks and uncertainties of the Group are noted in the Strategic Report on page 19. In addition, the Board indorsed an initial audit for SE Trains on financial controls. The Board is satisfied that these together with the noted key risks are being satisfactorily managed. There have been no ministerial directions given, or any significant lapses of protective security in the year.

Modern Slavery Act
DOHL supports the objectives of the Modern Slavery Act 2015 ("the Act") of eliminating slavery and human trafficking and makes this statement pursuant to section 54(1) of the Act for the financial year ended 31 March 2022. The statement is also made to recognise the importance to approach and improve transparency and prevent slavery and human trafficking from occurring within its supply chain.

DOHL and its TOCs recognise their responsibility to manage the risk of slavery and/or human trafficking taking place within its supply chain. To maintain this, DOHL and its TOCs are committed to:

- The review of procedures regularly to comply with any legal, regulatory and best practice requirements
- Ensuring all employees, interim workers and subcontractors understand the requirements placed upon individuals and to ensure consistency to avoid potential modern slavery situations
- To make available the Modern Slavery Statement to all those in scope of its use, through the accessible DOHL communication channels.

DOHL will seek to ensure:

- DOHL's values set the perimeters for how DOHL colleagues and contracting partners behave
- Fair and consistent treatment, creating a workplace and business environment that is open, transparent and trusted
- That DOHL policies and procedures relating to the Modern Slavery Act are in line with DOHL's culture and values.

REMUNERATION AND STAFF REPORT

The remuneration policies and practices give due weight to proper management and use and utilisation of public resources, they ensure greater alignment between risk and individual reward, discourage excessive risk taking and short-termism, encourage more effective risk management and support positive behaviours and strong and appropriate conduct culture within the company.

The size of DOHL (eleven staff in total) as an Owning Group and its levels of remuneration compare favourably with their private sector equivalents.

Directors
The remuneration related to the financial year 1 April 2021 to 31 March 2022 is stated in the table below.

Following a competitive process Robin Gisby and Richard Harrison were offered new contracts by the Department for Transport in December 2020. These contracts reflected the increase in DOHL's activities, as in addition to their responsibility for LNER, DOHL took ownership of Train Fleet (2019) and Northern Trains in March 2020 increasing the scale of its operations. Adjustments were also made at that time to the fees of other directors.

The increases noted below reflect the pro rata effect of the new contract arrangements which were put in place halfway through the last financial year, in December 2020, and not a further contractual increase in pay. They also reflect a further increase in days worked as DOHL took responsibility for a third train operator, Southeastern, in October 2021. It's important to note that although their salaries increased, the net effect is that pay per day decreased due to additional days worked.

Robin Gisby and Richard Harrison, in addition to being directors of DOHL, are also non-executive directors of the three DOHL operating subsidiaries. They receive no additional remuneration for their roles as non-executives.

Although contractually entitled to the increase above Robin Gisby voluntarily elected to donate an amount equal to the benefit to two rail industry charities in May 2022.

There is no expectation by the Board of any increase to directors' remuneration in the immediate future.

The remuneration related to the financial year 1 April 2021 to 31 March 2022 is as follows.:

	Salary/fees	**Pension and other benefits**	**Year ended 31 March 2022**	Period ended 31 March 2021
	£'000	**£'000**	**£'000**	£'000
Robin Gisby	236	1	**237**	206
Richard Harrison	220	1	**221**	187
Richard George	156	-	**156**	187
Chris Gibb	50	-	**50**	60
Tim Buxton	-	-	**-**	78
John Macquarrie	-	-	**-**	-
David Bennett	-	-	**-**	-
	662	**2**	**664**	**718**

Employees – Equality, Diversity and Inclusion

DOHL's TOCs each have in place a strong EDI Strategy that protects individual rights and promotes equality, diversity, and inclusion. Also providing for their Public Sector Equality Duty (PSED) that is set out in the Equality Act 2010, requiring public authorities to have due regard for the need to:

- Eliminate discrimination, harassment and victimisation and other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between different parts of the community.

The PSED also asks organisations to set equality objectives at least every four years. DOHL TOCs review and refresh their diversity KPIs within the annual business planning process.

Since DOHL ownership, DOHL TOCs have worked hard to embed Equality, Diversity, Inclusion and Belonging and to become more inclusive organisations. As collation and analysis of EDI data improves, DOHL TOCs will become further committed to setting and achieving strong targets which will drive stronger representation of all groups, making truly diverse and high performing workforces.

Considerable progress has been made in reducing the gender pay gap year on year to 11.3% in LNER, outperforming the UK gender pay gap of 15.4% in 2021. Southeastern also made an improvement of 1.5% and their gap stands level with the UK average at 15.4%. Northern has further to go with their pay gap standing at 27.3%, a 30bp adverse movement from the prior year.

Diversity index	**LNER 2022**	LNER 2021	**NTL 2022**	NTL 2021	**SETL 2022**	SETL 2021	**DOHL 2022**	DOHL 2021
Headcount	**3,214**	3,215	**6,952**	6,759	**4,695**	-	**11**	10
Diversity (male)	**58.3%**	58.0%	**81.3%**	81.4%	**80.0%**	-	**66.2%**	70.0%
Diversity (female)	**41.7%**	42.0%	**18.7%**	18.6%	**20.0%**	-	**33.8%**	30.0%
Diversity BAME*	**8.4%**	8.6%	**5.7%**	4.7%	**8.6%**	-	**30.9%**	30.0%

*Representation for colleagues that identify as Black, Asian, and Minority Ethnic (BAME)

DOHL TOCs have been maturing their EDI strategy over the period of ownership and some examples of achievements in each important category of the respective EDI categories are shown in the table below.

EDI Area	Examples of delivery from DOHL TOCs
Leadership	An executive sponsor in place to influence the equality, diversity, and inclusion agenda and a Steering Group specifically focused on EDI meeting at least quarterly to monitor progress and authorise new initiatives in each TOC. At LNER all of the executive directors sponsor a specific strand of diversity and is in a reciprocal mentoring arrangement with someone from that diversity group. The cross functional People Steering Group meets every 4 weeks to govern the cultural and people aspects of the business.
Training	Structured Equality, Diversity and Inclusive leadership training and development programmes have been implemented across Executive Committee teams. Equality and inclusivity culture training and development programmes in place for staff of all levels using various training media. Mandatory training in place for people managers; all staff receive training in their first few days through induction programmes. Southeastern currently extending this aim by piloting training to support new starters with neurodiversity.
Recruitment & Apprenticeships	Either strengthened or introduced positive action through targeted attraction campaigns and the use of diversity partners and specialist job boards. Eliminated bias through the introduction of inclusive processes such as blind screening and diverse recruitment panels. LNER and Northern have also started to create an internal and external EDI brand which communicates strongly through the processes of attraction, recruitment, onboarding, and career development. Our TOCs have a targeted delivery of apprenticeships for all newly recruited train drivers and a minimum of 2.5% workforce mix of apprentices. Northern also has a 24-month graduate scheme and Southeastern are placed 66th in the top 100 Apprenticeship Employers rankings.
Pre-employment & Work Experience	LNER implemented the government's Kickstart programme for the two schemes it ran across 2020 – 2022. In the second phase, six permanent roles were secured internally, and tracking showed that most of the individuals secured a role externally attributable to improved confidence and skills through the recruitment phase. LNER and Network Rail delivered their Mind the Gap initiative for women on a career break. Replacing its traditional physical Summer Academy, LNER launched a digital work experience programme for school students within underrepresented communities, 179 students represented by 28% female, 34% BAME, 24% receiving free school meals, 13% with special needs and 4% with caring responsibilities.

Employee Resource Groups (ERGs)/Staff Networks	In SET there are thriving ERGs that help shape the culture and guide change and decision making in relation to diversity and inclusion, recently SET facilitated the set-up of their 5th group – AccessAbility. Listening Circles were created to actively listen to BAME colleagues sharing their experiences, thoughts, problems, and solutions in regard to race and racism. Northern Crowd is the colleague-led inclusivity group at NTL. Uniquely, Northern has also introduced an EDI book club/reading group. LNER is currently rebuilding their inclusion network structure to enable all colleagues to engage in the business and feed into the inclusion agenda.
Structures	Flexible or home working policies have been put in place post pandemic. Gender pronouns were introduced at Northern and LNER accompanied by guidance and the option to choose preferred pronouns on email signatures. At Northern this extends to name badges. New policies that specifically support under-represented groups have been introduced in Northern and results are being tracked, some examples are; Menopause, Gender Transition and Domestic Abuse. All of our TOCs have introduced extensive resources around Mental Health Awareness, established Mental Health First Aid and initiatives which have been shared with the industry such as the 'Be Kind' Badges at LNER and Mental Health Fayres at Southeastern. All TOCs have implemented the Procurement Social Value Charter to create added value via the supply chain extending their influence and commitments. Equality Impact Assessments (EIAs) which are used to ensure that equality, diversity, cohesion, and integration is at the heart of everything and make sure that strategies, policies, services, and functions, do as intended, and for everybody.
Data	All TOCs are working hard on developing the systems and processes to improve data collation and analysis. LNER conducted a campaign to improve ethnicity diversity data reaching 97% disclosure and identification. All TOCs have integrated EDI sentiment tracking and monitoring into their regular pulse survey programmes.
Accreditation	All of our TOCs have or are working towards recognised EDI accredited standards such as with Northern's IiP in Diversity and LNER's Bronze Inclusive Employers (working towards Silver), LNER are also committed to achieving the ISO 30415:2021 and Southeastern, the National Equality Standard through Ernst & Young.

DOHL TOCs will continue to focus on improving diversity through the inclusion of more stretching measures to actively promote and increase recruitment and retention of a diverse workforce, in line with the commitments in the Williams-Shapps Plan for Rail, (Chapter Eight, Commitment 61).

DOHL TOCs will also continue to play an active and leading part in the industry EDI forum. As a benchmark, DOHL TOCs will use the various EDI maturity models that exist as a framework of self-assessment to anchor our focus. DOHL's ambition is to work towards ultimate maturity and achieve Level 4: 'Integrated' and 'Leading', and not just to lead our industry, but to sit shoulder to shoulder with EDI leaders across 'UK business'.

DOHL is fully committed to continue to challenge its TOCs to demonstrate a mature and leading approach to EDI and to be bold in their aspirations to enhance their workplace culture, becoming employers of choice and productive and engaging places to work.

Robin Gisby,CEO
15 August 2022

Independent auditors' report to the members of DfT OLR Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, DfT OLR Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.; 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 Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 March 2022; the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group 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.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 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 group and company and their 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' and accounting officers' 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 group’s and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

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

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

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

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulations;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, including accounting for defined benefit pension schemes and the service agreement term assumption.

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.

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
15 August 2022

Consolidated Income statement

For the year ended 31 March 2022

	Note	2022 £000	Restated 2021 £000
Continuing operations			
Revenue			
Passenger revenue	2	**961,224**	180,211
Other revenue	2	**1,230,679**	1,440,887
Total Revenue		**2,191,903**	1,621,098
Other operating costs	3	**(2,141,387)**	(1,532,651)
Operating profit		**50,516**	88,447
Finance income	6	**97**	30
Finance and similar charges	6	**(30,677)**	(38,016)
Profit before taxation		**19,936**	50,461
Tax on profit	8	**(5,133)**	(10,915)
Profit for the financial year from continuing operations		**14,803**	39,546
Discontinued operations			
Profit from Discontinued Operations	9	**7,261**	2,132
Profit for the financial year		**22,064**	41,678

The income statement has been prepared on the bases that continuing operations and discontinued operations are separately disclosed. The sale of Train Fleet (2019) Class 365 fleet on 1 July 2021 has resulted in the entity's financial performance presented as a discontinued operation for the current and prior year.

Comparative year 2021 has been restated to reflect the new method of Pension accounting applied in the financial statements from the previous 'Franchise Adjustment' method to the 'Income Statement Franchise Adjustment' method. The re-statement has increased the comparative profit as detailed in note: 1(*v*) of the accounts.

As permitted by Section 408 of the Companies Act 2006, The Company has not presented its own income statement. The profit of the Company for the financial year was £1,002k (2021: of £1,631k).

The accompanying notes form an integral part of this consolidated income statement.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 March 2022

	Note	**2022** **£000**	Restated 2021 £000
Profit from continuing operations		**14,803**	39,546
Profit from discontinued operations		**7,261**	2,132
Profit for the year		**22,064**	41,678
Items that will not be reclassified to profit or (loss):			
Actuarial (loss) on retirement benefit obligations	26	**(1,784)**	(6,873)
Tax on actuarial (loss) on retirement benefit obligations	8	**714**	1,305
Total items that will not be reclassified to profit / (loss)		**(1,070)**	(5,568)
Total comprehensive profit for the year		**20,994**	36,110

DfT OLR Holdings Limited, company number 07141122
Consolidated Statement of Financial Position
As at 31 March 2022

	Note	**2022 £000**	Restated 2021 £000	Restated 2020 £000
ASSETS				
Non-current assets				
Intangible assets	10	**23,042**	25,020	23,465
Tangible assets	11	**1,098,722**	647,853	636,861
Investments	13	**-**	-	-
Deferred tax asset	18	**2,627**	2,116	1,562
Retirement benefit asset (net)	26	**-**	-	-
		1,124,391	674,989	661,888
Current assets				
Inventories	14	**13,515**	7,518	8,716
Trade and other receivables: amounts due within one year	15	**260,159**	68,438	114,149
Assets held for sale	12	**-**	92,800	-
Cash at bank and in hand		**303,445**	201,286	229,126
		577,119	370,042	351,991
Total assets		**1,701,510**	1,045,031	1,013,879
LIABILITIES				
Current liabilities				
Trade and other payables	16	**(545,275)**	(354,118)	(447,286)
Lease liabilities	25	**(337,789)**	(218,921)	(198,601)
		(883,064)	(573,039)	(645,887)
Non-current liabilities				
Trade and other payables	16	**(30,397)**	(14,376)	(11,123)
Lease liabilities	25	**(655,479)**	(355,659)	(294,106)
Provisions	17	**(12,612)**	(762)	(671)
Deferred tax liability	18	**(362)**	-	-
Retirement benefit obligation	26	**(8,466)**	(11,059)	(8,066)
		(707,316)	(381,856)	(313,966)
Total liabilities		**(1,590,380)**	(954,895)	(959,853)
Net assets		**111,130**	90,136	54,026
EQUITY				
Ordinary share capital	21	**-**	-	-
Capital contribution	22	**16,100**	16,100	16,100
Retained earnings	22	**95,030**	74,036	37,926
Total shareholders' funds		**111,130**	90,136	54,026

The accompanying notes form an integral part of this statement of financial position. The financial statements on pages 37 to 86 were approved by the board of Directors on 15 August 2022 and were signed on its behalf by:

Robin Gisby, CEO

15 August 2022

DfT OLR Holdings Limited, company number 07141122
Company Statement of Financial Position
As at 31 March 2022

	Note	**2022**	2021
		£000	£000
ASSETS			
Non-current assets			
Intangible assets	10	**14**	10
Tangible assets	11	**6**	7
Investments	13	**68,550**	**207,015**
Deferred tax asset	18	**2**	2
		68,572	207,034
Current assets			
Trade and other receivables: amounts due within one year	15	**299**	103,958
Cash at bank and in hand		**92,017**	55,348
		92,316	159,306
Total assets		**160,888**	366,340
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(49,758)**	(117,732)
Total liabilities		**(49,758)**	(117,732)
Net assets		**111,130**	248,608
EQUITY			
Ordinary share capital	21	**-**	-
Capital contribution	22	**16,100**	16,100
Retained earnings		**95,030**	232,508
Total shareholders' funds		**111,130**	248,608

The accompanying notes form an integral part of this statement of financial position. The financial statements on pages 37 to 86 were approved by the board of Directors on 15 August 2022 and were signed on its behalf by:

Robin Gisby,CEO

15 August 2022

DfT OLR Holdings Limited
Consolidated Statement of Cash Flows
As at 31 March 2022

	Note	2022 £000	Restated 2021 £000
Profit before taxation on continued operation		19,936	50,461
Profit/(Loss) before taxation on discontinued operation	9	4,409	2,805
Total Profit/(Loss) before taxation		**24,345**	53,266
Adjustments for:			
Depreciation and amortisation	3	**314,482**	251,394
Loss on sale of fixed assets		**2,617**	156
Impairment on fixed assets		**-**	4,736
Finance costs - net	6	**140**	201
Lease interest expense	25	**30,440**	37,785
Interest received		**97**	30
(Increase) in trade and other receivables		**(54,299)**	(4,741)
(Increase) in inventories		**(5,997)**	(1,198)
Increase in trade and other payables		**154,337**	19,001
Cash flows from operating activities		**466,162**	360,630
Corporation tax paid		**(10,725)**	(12,121)
Net cash inflow from operating activities		**455,437**	348,509
Proceeds from the sale of fixed assets		**-**	2
Proceeds from held for sale assets		**92,800**	-
Capital grants received		**12,489**	5,727
Purchase of fixed assets		**(61,841)**	(64,834)
Cash outflow from investing activities		**43,448**	(59,105)
Interest paid		**(10)**	(54)
Principal element of lease payment		**(264,011)**	(209,405)
Interest element of lease payment	25	**(30,440)**	(37,785)
Funding loan repaid to parent		**(102,265)**	(70,000)
Cash flow from financing activities		**(396,726)**	(317,244)
Net increase / (decrease) in cash and cash equivalents		**102,159**	(27,840)
Cash and cash equivalents at beginning of year		**201,286**	229,126
Cash and cash equivalents at end of year		**303,445**	201,286

The comparative year 2021, has been restated. Refer to note:1(v) for further details. The restatements had no impact to financial year 2021 cash and cash equivalents.

	Note	2022 £000	2021 £000
Profit/(Loss) before taxation		**1,256**	2,027
Adjustments for:			
Depreciation and amortisation		**12**	8
Finance income		**(357)**	(1,940)
Working Capital - subsidiary funding inflow		127,265	**55,495**
Interest paid		**383**	1,940
(Increase) in trade and other receivables		**(23,526)**	(24,836)
Increase / (decrease) in trade and other payables		**34,016**	(9,340)
Cash flows from operating activities		**139,049**	23,354
Corporation tax paid		**(98)**	(535)
Net cash inflow from operating activities		**138,951**	22,819
Purchase of fixed assets		**(17)**	(12)
Cash flow from investing activities		**(17)**	(12)
Funding loan repaid to parent		**(102,265)**	(70,000)
Cash flow from financing activities		**(102,265)**	(70,000)
Net increase / (decrease) in cash and cash equivalents		**36,669**	(47,193)
Cash and cash equivalents at beginning of year		**55,348**	102,541
Cash and cash equivalents at end of year		**92,017**	55,348

	Ordinary share capital	Capital contribution	Retained earnings	Total shareholder funds
	£000	£000	£000	£000
As at 31 March 2020	**-**	**73,853**	**52,104**	**125,957**
Restatement adjustments (note 1(v))	-	(57,753)	(14,178)	**(71,931)**
As at 31 March 2020 Restated	**-**	**16,100**	**37,926**	**54,026**
Profit for the year restated	-	-	41,678	**41,678**
Other comprehensive income for the year restated	-	-	(5,568)	**(5,568)**
Total comprehensive profit for the year	-	-	36,110	**36,110**
As at 31 March 2021 Restated	**-**	**16,100**	**74,036**	**90,136**
Profit for the year	-	-	22,064	**22,064**
Other comprehensive income for the year	-	-	(1,070)	**(1,070)**
Total comprehensive profit for the year	**-**	**-**	**20,994**	**20,994**
As at 31 March 2022	**-**	**16,100**	**95,030**	**111,130**

Comparative year 2021 has been restated to reflect the new method of Pension accounting applied in the financial statements from the previous ‘Franchise Adjustment’ method to the 'Income Statement Franchise Adjustment' method. See note: 1(v) for further details.

	Ordinary share capital	Capital Contribution	Retained earnings	Total shareholder funds
	£000	£000	£000	£000
As at 31 March 2020	-	16,100	109,857	125,957
Profit for the year	**-**	**-**	1,631	**1,631**
Other comprehensive income for the year restated	**-**	**-**	121,020	**121,020**
Total comprehensive profit for the year	-	-	122,651	**122,651**
As at 31 March 2021	**-**	**16,100**	**232,508**	**248,608**
Profit for the year	-	**-**	1,002	**1,002**
Other comprehensive income for the year	-	**-**	(138,480)	**(138,480)**
Total comprehensive profit for the year	**-**	**-**	**(137,478)**	**(137,478)**
As at 31 March 2022	**-**	**16,100**	**95,030**	**111,130**

1 Accounting policies

The Company is a private limited company limited by shares and registered in England. The address of The Company's registered office is Albany House 8th Floor, 94-98 Petty France, London, SW1H 9EA.The principal activity of DOHL as 'operator of last resort' is to ensure that passenger services can continue to operate in England if a franchise terminates early and is not immediately replaced (through Section 30 legislation). Further descriptions of the Company's principal activities are set out on page 20.

The principal accounting policies are set out below.

a) Basis of Preparation

Whilst the Directors note that revenue recovery is returning towards pre-covid level, the Group's profit before interest and tax is in line with expectations. The directors believe the Group is a Going Concern for the following reasons.

Within the Group's TOC subsidiaries, the Services Agreement with the DfT, where the contracted subsidy/premium payments from / to the DfT, reflect the revenue and costs in the business. Under these agreement DfT is taking the revenue and cost risk resulting from Covid and guarantees a specified profit margin in accordance with the service agreement. LNER have received confirmation that the service agreement will be extended to 28 June 2025, NTL's runs until 1 March 2025 and Southeastern runs until 14 October 2024.

DOHL is wholly owned by the Secretary of State for Transport and is underwritten by the financial security of the UK government. The Secretary of State has set up the Company in connection with the exercise of his statutory duties. In addition to the guaranteed profit margin under the service agreement for the Company's TOCs, a Funding Deed exists between the Company and Secretary of State whereby a loan facility of £440m has been provided to the Company. The facility term ends six months after all termination of all the Services Agreements.

The rail industry plays a critical part in the recovery of the country from the Covid pandemic, economically and socially. Statements from the Government at the start of the pandemic such as "The continued operation of both passenger and freight transport is critically important to our resilience as a country" at the onset of the pandemic and other similar subsequent statements underline the importance of rail to the UK recovery.

Through the Oversight Committee and other communications, the Directors remain in ongoing dialogue with representatives from the Department for Transport about the future of the Company.

Accordingly, the financial statements have been prepared on the going concern basis.

The consolidated financial statements and the Company financial statements have been prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006 and have been prepared in accordance with the requirements of the Companies Act 2006.

Where there is a choice of accounting policy, the one judged to be most appropriate to the particular circumstances of the Company and Group has been selected. The particular policies adopted by the Company and Group are described below. They have been applied consistently to items that are considered material to the accounts. There are no new accounting standards or interpretations which are not yet applied but would be expected to have a material effect on the entity in the current period and on foreseeable future transactions. The financial statements have been prepared on a historical cost basis, except for the following:

- Investments in subsidiaries – measured at fair value
- Assets held for sale – measured at the lower of carrying amount and fair value less costs to sell; and
- Defined benefit pension plans – plan assets measured at fair value.

1 Accounting policies (continued)

The Company has taken advantage of the exemption available under section 408 of Chapter 4 of Part 15 of the Companies Act to omit the Company's individual profit and loss account and only report the group consolidated income statement.

b) Principles of consolidation

At the end of financial year 2022, in addition to the three TOCs and TF19, DfT OLR Holdings Limited (DOHL) maintain its eleven dormant entities, wholly owned by DfT OLR Holding limited (parent) listed in note 13 and together, forms the "Group".

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

c) Revenue

i) Passenger Rail Services

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

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

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

Delay Repay customer compensation, which is compensation paid to customers who have experienced a delay of more than 30 minutes for LNER and 15 minutes for NTL and SET on their journey, is treated as a reduction in passenger income rather than as an operating cost in line with IFRS 15 Revenue from Contracts with Customers.

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

ii) Other revenue

Other revenue income is generated in the course of the Group' ordinary activities and is derived from ticket commissions, car park income, station trading income, catering sales, depot and station access payments and the provision of goods or services to other train operating companies and excludes VAT. Revenue is recognised when a customer obtains control of goods or services and has the ability to direct the use and obtain the benefits from the goods or services.

1 Accounting policies (continued)

TF19 other income comprises compensation for dilapidations, contract settlements and a recovery from the insolvent ER365.

Revenue from services is recognised on the basis of agreed rates and is recognised over time over the period the services are rendered. Commission income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

d) Service agreement premium/subsidy

Under the service agreements, the TOCs are subject to fixed payments in the form of a franchise premium paid to, or service agreement subsidy received from, the Department for Transport. Under the terms of the service agreement the companies are entitled to earn a pre-defined margin, and the service agreement subsidy or franchise premium is calculated so as to deliver this margin.

It is calculated with direct reference to profits for each annual accounting period, and there is no clawback mechanism for payments received, or linkage between calculations from one annual period to the next. As such, the unit of account is deemed to be each annual reporting period, and amounts paid or received in each annual period are recognised as income or costs within that period in full.

In annual periods where a subsidy payment is received from the Department for Transport this is considered to be a government grant and is therefore accounted for as such. As the grant is considered to be to compensate for lost revenues, this is presented within the revenue section on the income statement to most closely show the substance of the arrangement, however it is not IFRS 15 revenue from a contract with a customer.

In annual periods where a franchise premium payment is made to the Department for Transport this is considered to be an operating levy, and the payments are therefore presented within operating costs but shown as a separate line on the face of the income statement to assist with understanding of the impact of these amounts on the financial performance of the entity.

e) Performance incentive payments

Performance incentive payments/reimbursements made to or from Network Rail by the Group in respect of rail operational performance are recognised in the same period that the performance relates to and are classified within operating costs. These are adjustments to the track access charges for planned or unplanned disruption on the line and can be either reimbursement/further payments for costs and also include an element of a notional calculation for lost revenue. Management’s judgement is that the treatment is appropriate as the substance of the transaction is overall a reimbursement of track access charges and this aligns to industry practice and is set out in the operating profit note.

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

f) Taxation

Tax, current and deferred is calculated using tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Corporation tax is provided on taxable profits or losses at the current rate applicable. Tax charges and credits are accounted for through the same primary statement as the related pre-tax item.

1 Accounting policies (continued)

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities using the tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date.

g) Deferred tax

Deferred tax is recognised in respect of all material temporary differences that have originated, but not reversed, by the Statement of Financial Position date. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse.

Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

h) Discontinued operations

Where a sale of a non-current asset is classified as held for sale and meets the criteria under IFRS 5, the sum of the post-tax profit or loss and the post-tax gain or loss of the operation is treated as a discontinued operation, presented as a single amount on the face of the Income Statement and the Statement of Comprehensive Income'. Details of revenue, expenses, pre-tax profit or loss and related taxes can be found in note: 9.

During the financial year 2022, TF19 exercised its option to sale its entire Class 365 fleet, TF19 main line of rental income. The units were sold on 1 July 2021, resulting in the TF19's Property, Plant and Equipment (PPE) being classified as an asset held for sale in 2021 and its financial performance as a discontinued operation in the Income Statement for both 2022 and 2021.

i) Intangible assets

Intangible assets across the Group are shown at their original historic cost net of amortisation and any provision for impairment. Cost includes the original purchase price of the assets and costs attributable to bringing the asset to its working condition for its intended use.

Amortisation of intangible assets is calculated on the straight-line method to write-off the cost of each asset over their expected useful economic lives as follows;

Mobilisation costs	life of service agreement
Software	3 years

Mobilisation costs have been capitalised and amortised over the expected life of the service agreement. These comprise rebranding, marketing, recruitment, media, uniform, system and professional services costs. Amortisation is charged on a straight-line basis over the life of the service agreement and is recorded in operating costs in the Income Statement. Intangible assets acquired separately from a business combination are capitalised at cost.

The need for any impairment write-down is assessed by comparing the carrying value of the asset against the higher of net realisable value and value in use. Where there is no value in use, the asset is valued using depreciated replacement cost.

Assets in the course of construction are not amortised until they are available for use and on completion are transferred to the appropriate asset class.

j) Tangible assets

Tangible assets are stated at historic cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write off the cost less estimated residual value of fixed assets over their expected useful economic lives as follows:

Leasehold improvements and property	3 - 10 years or lease term
Plant and equipment (excluding service agreement RV Assets)	3 - 10 years or lease term
Plant and equipment: - service agreement (SA) RV assets	Useful Economic Life (UEL) per SA term

1 Accounting policies (continued)

Where assets as part of the service agreement are classed as "RV Assets" the cost is recognised at the transfer value and depreciated over the UEL reflected in the service agreement.

Assets in the course of construction are not depreciated until they are available for use and on completion are transferred to the appropriate asset class. Land is not depreciated.

k) Right of use assets

Right of use assets comprise rolling stock, offices and other property leases plus depot equipment. At the lease commencement the Group recognises both a right of use asset and a lease liability.

Right of use assets are initially measured at a cost which includes:

- the initial measurement of the lease liability using the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group will use their incremental borrowing rate;
- the lease payments made before or after commencement, less the lease incentives received;
- an estimate of the costs incurred upon disassembling and eliminating the underlying asset, including restoring the underlying asset to the condition required by the terms of the lease.

After the commencement date the Group measures its right of use assets using a cost model. Right of use assets are depreciated over the shorter of the lease term and the expected period of the Group's current service agreements with the DfT. They are presented as part of tangible assets in note 11.

Corresponding lease liabilities are presented and accounted for as current and non-current liabilities in note 25. The lease liability is initially measured at the present value of future lease payments, discounted using the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group will use the incremental borrowing rate. After the commencement date the Group measures its lease liabilities by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect the lease payments made.

The lease term generally comprises non-cancellable period of lease contracts plus periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option.

The lease liabilities and right of use assets are impacted by the extension of the TOC's Services Agreement, see the critical judgment note 1(u) for further details.

Where the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease. During the year, the Group has sub-leased some of their rolling stock as a lessor on a short term basis. These have been accounted for as an operating lease and the rental income recognised in other revenue.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Cash flows from lease receipts are included within operating activities.

When a contract includes both lease and non-lease components, the Group applies IFRS 16 to allocate the consideration under the contract to each component

Variable and fixed track access payments are deemed outside the scope of IFRS 16. Access to the track is not exclusive and the Group cannot restrict access to other operators or freight, hence do not obtain substantially all the economic

1 Accounting policies (continued)

benefits of use, therefore they do not meet the scope of IFRS 16 and are recognised through the consolidated income statement as incurred in operating costs.

Station and depot access charges are deemed outside the scope of IFRS 16 as it is deemed that Network Rail controls these assets and significant restrictions are in place on the operator, therefore they do not meet the scope of IFRS 16 and are recognised through the consolidated income statement as incurred in operating costs.

The Group has assessed the rolling stock arrangements and determined the service and maintenance elements represent a non-lease component. This is on the basis that the Group can benefit from use of the asset on its own and the asset is not highly dependent on, nor highly interrelated with service and maintenance agreements. The consideration is allocated between the lease and non-lease components based on relative stand-alone selling price. The service and maintenance elements are recognised as a service arrangement and the expense is recognised as operating costs in the consolidated income statement.

The Group has elected to apply the exemption included within IFRS 16 for short term leases (lease terms of less than 12 months) and low value leases (asset values less than £5,000). The lease payments associated with these are recognised as an expense on a straight-line basis over the lease term.

l) Assets held for sale

Where the sale of a non-current asset is highly probable and the transfer/sale of the asset is expected to be completed within one year at the financial year end, the assets will be classified as an asset held for sale on the face of the Statement of Financial Position.

The asset held for sale is recognised under current assets and measured at the lower of carrying amount and fair value less costs to sell (or on the disposal) of the asset. Immediately prior to classifying an asset or disposal group as held for sale, an impairment is considered and measured. Any impairment is recognised in accordance with the applicable IFRSs and the Group policy.

During the financial year 2022, TF19 exercised its option to sale its entire Class 365 fleet, it served the notice in financial year 2021. The units were sold on 1 July 2021, resulting in TF19's Property, Plant and Equipment (PPE) being classified as an asset held for sale in the comparative year.

m) Inventories

Inventories are valued at the lower of cost and net realisable value on a weighted average cost basis. Cost comprises direct costs and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Where necessary a provision is made for obsolete, slow moving and defective inventory.

n) Investments

Fixed asset investments are carried in the Statement of Financial Position at fair value.

Subsidiary investments are accounted for at fair value which is determined at the reporting date. Movements in the carrying value of investments is recognised in the other comprehensive income in the Company's financial statements.

1 Accounting policies (continued)

o) Grants

Capital grants are credited to deferred grant income and released to operating cost within the Income Statement over the estimated useful economic lives of the related assets. Deferred capital grant income is presented and accounted for within current and non-current liabilities.

p) Retirement benefit obligations

The Group contributes to a defined benefit pension scheme within the Railway Pension Scheme (RPS) on behalf of their enrolled employees. The RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. The Group is responsible for relevant funding of their section of the RPS during the period of the service agreement, and at the end of the service agreement period the group will have no liability for any deficit existing in their Franchise Sections (other than for contributions due for any period prior to the end of the service period for each franchise section) and shall have no right to benefit from any surplus which may exist in the Franchise Sections.

The trustees complete a full actuarial valuation triennially, separately for each section of the RPS, but the obligation is updated annually by independent actuaries using the projected unit credit method for financial reporting purposes. The level of contributions paid by the Group is in line with the latest certified schedule of contributions which was signed in 2013. The 2016 and 2019 funding valuations of the RPS have not yet been signed.

The method by which the pension accounting reflects the franchising arrangement has changed this year from the previous Franchise Adjustment Method to the Income Statement Franchise Adjustment Method (as defined below). This has been prompted by a review by DOHL of TOC pension accounting arrangements following the addition of Southeastern Trains to DOHL during the year. This amends the accounting policy in LNER and NTL to be in line with the method that the Southeastern Trains franchise has previously adopted, prior to its operation under DOHL commencing in October 2021, and to that which is now adopted by an increasing number of train operating companies. The new approach is seen as more relevant and reliable for a user of the financial statements as it is not sensitive to the key accounting judgement around the duration of the services agreement whereas the previous policy was. The comparative year's presented are restated for this change in accounting policy, further details on the impact to the financial statements can be found in note 1(v).

i. Income Statement Franchise Adjustment Method (newly adopted policy)

The accounting treatment for the terms of the Group's pension scheme is not explicitly considered by IAS 19 Employee Benefits (Revised). Since the contributions currently committed to being paid are lower than the share of the service cost (for current and future service) that would normally be calculated under IAS 19 (Revised), the Group does not account for uncommitted contributions towards the sections' current or expected future deficits outside the franchise period. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current franchise and committed contributions.

As a result, the Group consequently reduces any section deficit balance and reduces any service costs that would give rise to an increase in such deficit through the use of an income statement franchise adjustment. The income statement franchise adjustment reflects the extent to which third parties are expected to contribute towards the cost of the plan as a consequence of the deficit transferring at the end of the franchise, which is deemed, in the directors' view, in line with paragraphs 92-94 of IAS 19 Employee Benefits (Revised).

1 Accounting policies (continued)

p) Retirement benefit obligations

- The current service cost and gains and losses on settlements and curtailments are recognised in staff pension costs within operating costs in the consolidated income statement.
- Past service costs are included in operating costs where the benefits have vested, otherwise they are amortised on a straight-line basis over the vesting period. The expected return on assets of funded defined benefit schemes and the interest on pension scheme liabilities comprise the finance element of the pension cost and are included in interest costs.
- Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to the consolidated statement of other comprehensive income in the period in which they arise. The charges in respect of defined contribution schemes are recognised when they are due.

ii. Franchise Adjustment Method (previous policy)

The Group previously applied a “current service period adjustment” to the amounts recorded in the consolidated statement of financial position for the RPS. This represented the remaining element of the service operator's 60% share of the IAS 19 deficit or surplus after determining the amount of any deficits the subsidiaries are required to fund (or surplus it is entitled to recover) over the remaining service period.

This adjustment gave rise to a net pension asset, representing the expected excess of the income statement expense under IAS 19 for service cost and net interest over the contributions payable over the remainder of the service agreement. The economic benefit of the asset was expected to be realised through the lower cash contributions over the remaining period of the service agreement, and therefore upon the expiry of the service period, there would be no pension asset (or liability) remaining.

The franchise pension scheme asset / liability was recognised as the net total of the present value of obligations under the scheme minus the fair value of scheme’s assets at the reporting date.

The net pension scheme asset calculated at the transfer date of LNER and NTL was shown as a capital contribution directly in the consolidated statement of changes in equity as the pensions were transferred as part of their service agreement with the DfT. The DfT is a related party and the transfer of the scheme was therefore accounted for as a capital contribution in equity.

Under both policies described above:

- The current service cost and gains and losses on settlements and curtailments are recognised in staff pension costs within operating costs in the consolidated income statement.
- Past service costs are included in operating costs where the benefits have vested, otherwise they are amortised on a straight-line basis over the vesting period. The expected return on assets of funded defined benefit schemes and the interest on pension scheme liabilities comprise the finance element of the pension cost and are included in interest costs.
- Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to the consolidated statement of other comprehensive income in the period in which they arise.

1 Accounting policies (continued)

q) Accounting for participation in Railways pension scheme

DOHL contributes to a defined contribution scheme as part of the British Rail (BR) Section in the RPS. DOHL is not responsible for relevant funding and management of the BR section of the RPS, its share of the BR Section's net deficit is not identifiable and therefore contributions are accounted as a defined contribution scheme. Employer's contributions are recognised in staff pension costs within operating costs in the Income Statement as they fall due. Actuarial movements on assets of funded defined benefit schemes and the interest on pension scheme liabilities are recognised in the Department for Transport Annual Report and Accounts financial statements.

DOHL also offers a 'NEST' workplace pension scheme. Employees are auto enrolled into the scheme, although may opt out. Employees can contribute either, 3% to 5% of their salaries, with DOHL contributing a fixed percentage. TF19 has no pension scheme.

r) Provisions

Provisions for current obligations and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are split between those falling due within one year and those falling greater than one year.

A dilapidations provision held in relation to legacy rolling stock and depots are based on expected costs of restoring the leased assets or facility to the required state before being returned to the lessor where the lessee is contractually obligated to do so. The dilapidations provision is presented and accounted for within current and non-current liabilities. The amount of any provision is re-assessed at each Statement of Financial Position date. Any increase or decrease required to the amount of the provision is charged or credited to the income statement.

s) Financial instruments

Financial instruments held by the Group are trade and other receivables, trade and other payables and cash. Trade receivables are recognised initially at the amount of consideration that is unconditional. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. IFRS7 disclosures over market risk, liquidity and capital management are shown in note 19

u) Critical estimates and judgements

Preparation of the financial statements, in accordance with UK-adopted international accounting standards requires directors to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual outcomes could differ from those estimated. The Directors believe that the accounting policies and estimation techniques discussed below represent those that require the greatest exercise of judgement.

The Directors have used their best judgement in determining the estimates and assumptions used in these areas, but a different set of judgements could result in material changes to the Group's reported financial performance and/or financial position.

1 Accounting policies (continued)

The critical estimates and judgements summarised below cover those regarded by the Directors as critical to the Group's reporting in general. The estimates and judgements summarised below cover those regarded by the Directors as critical to the Group's reporting.

i.Pensions - estimate

The determination of the TOCs pension benefit obligation disclosures involves estimation uncertainty as it is dependent on the selection by the Directors of certain assumptions used by actuaries in calculating such amounts. Those assumptions include the discount rate, the annual rate of increase in future salary levels and mortality rates. The Directors' assumptions are based on actual historical experience and external data. While the Directors believe that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the disclosure of total defined benefit obligations.

The pension assumptions may vary due to actual changes in market conditions following the consolidated statement of financial position date, but IAS 19 requires the assumptions to be set based on the market conditions prevailing at the reporting date. The pension assumptions are also affected by judgments the Directors are required to make on matters that cannot be directly observed from market prices such as life expectancies, future pay increases, harder to value assets and the criteria for bonds to be included in the population from which the discount rate is determined. Note 24 provides information on the sensitivity of pension benefit obligations to changes in assumptions however there is no impact to assets or liabilities.

ii.Pensions - judgement

In addition to the critical estimate described above, there is also considered to be critical judgment in relation to the interpretation of IAS 19 p92-94. The interpretation applied reduces any section deficit balance and reduces any service costs that would give rise to an increase in such deficit through the use of the income statement franchise adjustment as described in the accounting policies note. This reflects the extent to which third parties are expected to contribute towards the cost of the plan as a consequence of the deficit transferring at the end of the franchise.

iii.LNER service agreement term assumption estimate

London North Eastern Railway Limited (LNER) operates as a publicly owned train company through a services agreement originally awarded on 24 June 2018 by the Secretary of State for Transport. A revised contract was agreed in June 2020 for LNER to operate trains and stations across the East Coast Main Line until 24 June 2023. The services agreement includes an optional extension of two years and in June 2022 the Secretary of State provided confirmation to the Directors that the extension would be exercised and therefore the contract will continue through to 23 June 2025.

As at the balance sheet date the extension had not been formally agreed, but despite not having received the confirmation from the DfT at that point, there was sufficient evidence to believe it was reasonably certain. The judgement affects these financial statements in respect of reporting for leases under IFRS16 and going concern as follows:

u) Critical estimates and judgements (continued)

- IFRS 16 - At inception of the lease management assesses the lease term. In this assessment management considers options for extension associated with the lease and includes these in the lease term if they are reasonably certain they will be exercised. This judgment over whether extension options will be exercised impacts the lease liabilities and right of use assets recognised on the balance sheet at inception of the lease. The change in judgement to extend the service period by two years to June 2025 leads to a reassessment adjustment of £212,828,000 for both the right of use asset (see note 9) and lease liability (see note 19). This is a reassessment rather than being treated as a lease modification due to the fact that the extension option was conveyed by the

1 Accounting policies (continued)

- original contract terms and is now expected to be taken out to June 2025. Under this approach the incremental borrowing rate at the point of the reassessment is used.
- Going concern - The Services Agreement with the DfT ensures that LNER earns a margin of 1% at Profit before tax on total revenue excluding any subsidy received. The expected service agreement extension to 2025 provides LNER with certainty and stability over its operations.

iv.NTL service agreement term assumption estimate

An assumption of an end date for the Services Agreement of March 2024 was used in the comparative period financial statements. This was based on expectation that an extension of the original Services Agreement for a fixed period of 2 years running from the end of the original Services Agreement to 1 March 2024 would be granted.

On 24 February 2022, a new Services Agreement was awarded by The Secretary of State for Transport, effective from 1 March 2022. The new Services Agreement runs to 1 March 2025, with an option to extend for up to an additional 2 years at the sole discretion of the Secretary of State for Transport. This results in a different assessment of the service agreement than that expected in the prior year and affects these financial statements in respect of reporting for leases under IFRS 16 and going concern as follows :

- IFRS 16 Right of use asset and lease liability – At inception of the lease management assesses the lease term. In this assessment management considers options for extension associated with the lease and includes these in the lease term if they are reasonably certain they will be exercised. This judgment over whether extension options will be exercised impacts the lease liabilities and right of use assets recognised on the balance sheet at inception of the lease. The impact of the extended services period was to increase the expected period that NTL would have the leases from 1 March 2024 to 1 March 2025. The change in judgement leads to a remeasurement adjustment of £103,965,000 for both the right of use asset and lease liability, rather than as a lease modification due to the fact that the extension option was conveyed by the original contract terms and is now deemed to be reasonably certain to be taken out to 1 March 2025. Under this approach the incremental borrowing rate is reassessed at the point of the remeasurement, which was 22 February 2022.
- Going concern - The Services Agreement with the DfT includes a subsidy which ensures NTL earns a margin of 1% at Profit before tax on total revenue. The signing of a new service agreement with a service agreement extension to 2025 provides the company with certainty and stability over its operations.

v.Southeastern service agreement term assumption estimate

The current services agreement with the DfT runs until 13 October 2024, with an option for a further three years. Whilst there is the potential for a three year extension in the absence of any notification from the DfT, the accounts are prepared using the end date for the core three year contract term.

This judgement affects these financial statements in respect of reporting for leases under IFRS 16 and going concern as follows;

- At inception of the lease management assesses the lease term. In this assessment management considers options for extension associated with the lease and includes these in the lease term if they are reasonably certain they will be exercised. This judgment over whether extension options will be exercised impacts the lease liabilities and right of use assets recognised on the balance sheet at inception of the lease.
- Going concern - the Service Agreement with the DfT ensures that the company earns a margin of c.1% at Profit before tax on total revenue throughout the Director’s going concern assessment period.

1 Accounting policies (continued)

vi.Accounting for subsidiaries investment judgement

The investments in LNER, NTL, Southeastern and TF19 has been accounted for at fair value. The directors consider that in any transfer of assets between TOCs historical experience evidences that the starting point for determining the fair value is the net assets of the company at the reporting date. The Directors have considered the assets and liabilities of the investments and have determined that no adjustment to the reported net book value of each investment is necessary to reflect the fair value. In determining the fair value of the investments, management reflected the revised pensions accounting policy (see note 1 v)) which changed the how the third party contributions were reflect in net pension deficit.

vii.Accounting for transfer of assets - estimate and judgement

A judgement has been taken to account for the transfer of assets from LSER to Southeastern as an asset acquisition and not a business combination under IFRS 3.

The directors consider that the assets acquired from LSER do not constitute a business, as they do not represent an “integrated set of activities” as required to be defined as a business. This judgement is primarily based on the premise that those inputs most critical to the operation of the business (rolling stock leases, the DfT service agreement, the workforce, and the pension scheme obligations) are not being acquired from the acquiree, rather they are acquired by or recognised in Southeastern as a result of a separate transaction with another party. Given that the franchise agreement gives the entity the rights to contract separately for inputs to the operation of the rail franchise including leases, workforce and other operating agreements with National Rail, and such rights are not acquired from the previous franchise, the Directors have made the judgement that the transfer does not meet the definition of a business combination under IFRS 3 and should be accounted for as an asset acquisition.

On 13 April 2022, LSER set out its position in respect to tangible assets, inventory, and depot dilapidations for inclusion in Southeastern opening balance sheet. Southeastern management do not believe this represents a reasonable transfer value at the date of transfer and have therefore, on the 30 May 2022, set out a revised proposal based on the Management’s best estimate.

At the date of signing these financial statements the transfer agreement has not been finalised between LSER and Southeastern in regard to certain tangible assets, inventory and depot dilapidations, with negotiations ongoing.

The group has recorded its best estimate of the expected values and whilst the difference between the two parties is currently material at £10.5m, management do not believe there will be a material difference to the final agreed settlement value to the amounts currently recognised in the financial statements once negotiations are concluded.

Negotiations are ongoing and management’s best estimate have been used in determining the value based on available information, but the outcome of these commercial negotiations could lead to a material impact on amounts currently estimated in the financial statements. Management’s best estimate of the cost of the assets transferred are outlined in note 24.

1 Accounting policies (continued)

v) Restatement of 2021 comparatives

The financial statements have been restated to incorporate a change in pension accounting policy from the ‘Franchise Adjustment Method’ to the ‘Income Statement Franchise Adjustment Method’ (as defined in the accounting policies note). The change has resulted in net assets as at the 31 March 2021 decreasing by £209.6m and £71.9m as at the 31 March 2020.

The consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in equity have been restated. The profit and finance cost disclosure in the cash flow statement has been updated but has no impact on cash balances.

The DfT service agreement subsidy is calculated to deliver a margin in line with each TOC’s service agreement. It should be noted that whilst the change in pension accounting policy has resulted in a higher restated profit for the year for LNER and NTL the directors have received confirmation from the DfT that the policy change in respect of pension accounting will not result in a clawback of service agreement subsidy received in the prior year. The impact of this is that profit before tax excluding DfT service agreement subsidy as a proportion of total revenue for the Group in the prior year is higher than would be calculated under each service agreement.

The capital contribution previously recognised included both LNER’s and NTL’s defined benefit pension asset net of deferred tax at the start of ownership, amounting to £58m. Following the restatement, there was a net defined benefit pension liability net of deferred tax of £11m. The restatement results in this liability being recognised directly in retained earnings at the date ownership was transferred for LNER and NTL respectively.

1 Accounting policies (continued)

Financial Statement 31 March 2021	**Adjustment**	Restated	Previously reported
	£'000	£'000	£'000
Income Statement impact			
Staff Costs: Other pension costs	**42,449**	(25,464)	(67,913)
Finance income: Pension interest	**(2,038)**	-	2,038
Finance and similar charges: Pension interest	**(177)**	(177)	-
Tax on profit: Total deferred tax	**(7,601)**	(751)	6,850
Total impact: Profit/(Loss) for the year	**32,633**		
Comprehensive Profit/(Loss) impact			
Actuarial gain on retirement benefit obligations	**(146,233)**	(6,873)	139,360
Deferred tax defined benefit pension transferred in	**27,783**	1,305	(26,478)
Total items that will not be reclassified to profit or loss	**(118,450)**		
Total impact: Comprehensive profit/(loss) for the year	**(85,817)**		
Balance Sheet Impact			
Retirement Benefit/(Obligation)	**(195,063)**	(11,059)	184,004
Deferred Tax Asset/(Liability)	**(14,500)**	2,116	16,616
Total impact: Net Assets	**(209,562)**		
Capital contribution	**(57,483)**	16,100	73,583
Retained earnings	**(100,273)**	74,036	174,309
Cash flow			
Total impact: Cash flow	**-**		

Financial Statement 1 April 2020	**Adjustment**	Restated	**Group** Previously reported
	£'000	£'000	£'000
Balance Sheet Impact			
Retirement Benefit/(Obligation)	**(88,803)**	(8,066)	80,737
Deferred Tax Asset/(Liability)	**16,873**	1,562	(15,311)
Total impact: Net Assets	**(71,930)**		
Capital contribution	**(57,753)**	16,100	73,853
Retained earnings	**(14,178)**	37,926	52,104
Cash flow			
Total impact: Net decrease in cash and cash equivalents	**-**	-	-

1 Accounting policies (continued)

In addition, and separate to the change in pension accounting:

- The consolidated statement of cash flows in 2021 has been restated to separately present the interest element and the capital element of IFRS 16 lease repayments, being £37,785,000 and £209,405,000 respectively. This separate presentation is in accordance with paragraph 50 of IFRS 16 and was incorrectly shown combined together as 'Payment of lease liabilities' in financial year 2021.

- Cash flows from capital grant receipts in 2021 of £5,727,000 have been reclassified from operating activities to investing activities in line with the requirements of IAS 7 paragraph 11.

- Tangible assets and deferred grant income have been restated to ensure consistency of the policy across the group. Refer to Note 11 for further details

- Lease liabilities have been presented as a separate header on the consolidated statement of financial position. Refer to Note 25 for further details.

2 Revenue

All revenue originates in the United Kingdom.

The Directors consider that the whole of the activities of the Group constitute a single class of business consisting of passenger, train rental and other related other revenue as disclosed in the income statement. Revenue during the year to 31 March 2022. includes six rail period on SE Trains Limited (traded from 17 October 2021).

Revenue, excluding value added tax (VAT) where applicable, is comprised of:

	2022	2021
	£000	£000
Passenger revenue	**972,697**	181,554
Delay Repay	**(11,473)**	(1,343)
Passenger revenue	**961,224**	180,211
DfT service agreement subsidy	**1,112,363**	1,383,834
Other Revenue	**118,316**	57,053
Total revenue	**2,191,903**	1,621,098

Other revenue comprises of car park income, commercial property income, railway station access income, maintenance and train rental income, fuel sales, on board catering income, commissions receivable. The service agreement subsidy from the Department of Transport (DfT) to all three TOCs is LNER £248.2m (2021: £601.8m), NTL £632.6m (2021: £782m) and Southeastern £231.5m (2021: nil). As discussed in the DfT service agreement subsidy accounting policy, this is not IFRS 15 revenue.

3 Operating profit

	2022	Restated 2021
Operating profit is stated after charging/(crediting):	**£000**	**£000**
DfT service agreement premium	**-**	-
Staff Costs (note 5)	**624,496**	486,868
Depreciation (note 11)	**304,004**	234,050
Amortisation of intangible assets (note 10)	**12,305**	9,682
Inventories recognised as expenses	**55,857**	34,143
Fixed access charges	**284,742**	191,305
Variable access charges	**158,379**	38,138
Rolling stock maintenance costs	**300,374**	264,510
Lease items excluded from IFRS 16 (note: 23)	**513**	907
Performance incentive reimbursement	**(29,048)**	(3,004)
Auditors’ remuneration – audit fees: DOHL company	**30**	25
Auditors’ remuneration – audit fees: Subsidiaries	**680**	298
Auditors’ remuneration – non audit services		
- other compliance reporting	**7**	7

Prior year has been restated to reflect the new method of pension accounting applied in the financial statements from the previous ‘Franchise Adjustment’ method to the 'Income Statement Franchise Adjustment' method. Rolling stock costs include availability credits of £25m.

4 Directors' remuneration

	2022 £000	2021 £000
Emoluments in respect of qualifying services to the Company	**664**	718

The emoluments of the highest paid Director were £236,000, relating to the year (2021: £206,000), pension contribution of £514 (2021: £nil).

5 Staff costs

	2022 £000	Restated 2021 £000
Wages and salaries	**538,709**	418,880
Social security costs	**53,080**	42,524
Other pension costs	**32,707**	25,464
	624,496	486,868

The average monthly number of full-time equivalent employees (including Directors) during the year was as follows:

	2022	2021
Managerial and administrative	**2,381**	1,014
Operational	**12,185**	8,592
	14,566	9,606

6 Finance income and charges

	2022 £000	Restated 2021 £000
Finance income		
Bank interest	**97**	19
Other interest received	**-**	11
Total finance income	**97**	30

	2022 £000	Restated 2021 £000
Finance charges		
Interest on lease liabilities (IFRS 16)	**(30,440)**	(37,785)
Pension interest charge	**(227)**	(177)
Other interest paid	**(10)**	(54)
Total finance charges	**(30,677)**	(38,016)

Comparative year 2021-2022 has been restated to reflect the new method of Pension accounting. The impact on the financial statements can be found in notes to the financial statements, note: 1(v).

7 Dividend

No dividend was paid or received by DOHL during the financial year 2021-2022 for financial year 2020-2021 (2021: nil relating to year 2019-2020).

8 Tax on profit

a) Tax recognised in the income statement – Continued operations

	2022	Restated 2021
	£000	£000
Current taxation:		
Current tax on profits for the year	**5,203**	9,557
Adjustment in respect of prior years	**195**	607
	5,398	10,164
Deferred tax:		
Current year	**(22)**	1,448
Adjustment in respect of prior years	**(243)**	(697)
Total deferred tax	**(265)**	751
Total tax charge reported in the income statement	**5,133**	10,915

b) Tax recognised in the income statement – Discontinued operations

	2022	Restated 2021
	£000	£000
Current taxation:		
Current tax on (loss) for the year	**-**	673
Deferred tax not recognised	**(2,179)**	-
Adjustment in respect of prior years	**(673)**	-
	(2,852)	673
Total tax charge reported in the income statement	**(2,852)**	673

c) Tax relating to items charged or credited outside of the income statement

	2022	Restated 2021
	£000	£000
Other comprehensive income items:		
Current tax current year (credit)	**(830)**	-
Deferred tax current year charge (note: 18)	**116**	(1,305)
Tax reported outside of the income statement	**(714)**	(1,305)

d) Factors affecting total tax charge for the current period – Continued operations

The tax assessed for the year is higher (2021: higher) than the standard effective rate of corporation tax in the UK of 19% (2021: 19%). The tax charge is made up as follows:

	2022	Restated 2021
	£000	£000
Profit before taxation	**19,936**	50,461
Profit/(Loss) multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**3,790**	9,922
Fixed asset differences	**1,050**	591
Expenses not deductible	**704**	492
Income not taxable for tax purposes	**(189)**	-
Tax rate changes	**(547)**	-
Deferred tax not recognised	**-**	-
Adjustment in respect of current period – deferred tax	**-**	-
Adjustment in respect of prior period – current tax	**193**	165
Adjustment in respect of prior period – deferred tax	**133**	(264)
Other Items	**(1)**	9
Total tax charge for the year reported in the income statement	**5,133**	10,915

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017.

The March 2021 Budget announced an increase in the UK standard rate of corporation tax to 25% from 1 April 2023. The legislation received Royal Assent on 10 June 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Comparative year 2021 has been restated to reflect the new method of Pension accounting. The impact on the financial statements can be found in notes to the financial statements, note: 1(v).

9 Discontinued Operations

The sales of TF19 entire fleet on 1 July 2021 resulted in its loss after interest and tax being presented as a discontinued operation for financial year 2022 and 2021, a PPE impairment expense was recognised of £1.9m and a compensation payment by the lessee agreed in advance of the disposal of the assets post the prior year end, other income of £3.3m, resulting in a net gain of £1.4m. Refer to note 12 for details of the related asset held for sale.

Rental income, excluding value added tax (VAT) where applicable, is comprised of lease rentals until 31 May 2021. Other operating income comprises compensation for dilapidations, contract settlements and a recovery from the insolvent ER365.

	2022	2021
	£000	£000
Revenue	**1,598**	10,950
Other Income	**4,597**	3,424
Total Income	**6,195**	14,374
Other operating costs*	**(1,786)**	(11,569)
Profit before taxation	**4,409**	2,805
Tax on Profit/(Loss)	**2,852**	(673)
Profit from discontinued operations	**7,261**	2,132

*Auditors' remuneration – audit fees, included in Other operating costs were £18k, (2021: £27k)

Net cash flows from Discontinued operations	**2022**	2021
	£000	£000
Cash inflow from operating activities	3,063	9,386
Cash outflow from investing activities	92,800	-
Cash (outflow)/inflow from financing activities	(102,265)	(6,644)
Net cash flows from activities: Discontinued operations	**(6,402)**	2,742

10 Intangible assets

The table below reflects the costs and accumulated of the Group's intangible assets in the statement of financial position.

	Software costs	Mobilisation costs	Work in progress	Total
	£000	£000	£000	£000
Cost				
At 31 March 2021	41,816	315	4,978	**47,109**
Transferred in	1,376	442	422	**2,240**
Additions	210	212	9,861	**10,283**
Transfer from WIP	6,308	-	(6,308)	**-**
Disposals	(18,344)	-	-	**(18,344)**
At end of year	**31,366**	**969**	**8,953**	**41,288**
Accumulated amortisation				
At 31 March 2021	22,014	75	-	**22,089**
Amortisation charged to the income statement	12,109	196	-	**12,305**
Disposals	(16,148)	-	-	**(16,148)**
At end of year	**17,975**	**271**	**-**	**18,246**

	Software costs	Mobilisation costs	Work in progress	Total
	£000	£000	£000	£000
Net book value				
At beginning of year	19,802	240	4,978	**25,020**
At end of year	**13,391**	**698**	**8,953**	**23,042**

Mobilisation assets reflect the change in NTL service agreement term assumption from 1 March 2022 to 1 March 2025.

The Company reported additions to software costs of £10k (2021: £10k) in the year, bringing costs at 31 March 2022 to £20k. The net book value at 31 March 2022 was £14k (2021: £10k).

11 Tangible assets

The table below reflects the costs and accumulated of the Group's tangible assets in the statement of financial position.

	Leasehold land and buildings	Plant and equipment	Right of Use	Work in progress	Total
	£000	£000	£000	£000	£000
Cost					
At 31 March 2021 restated	11,448	69,291	866,891	31,270	**978,900**
Remeasurement IFRS 16	-	-	316,793	-	**316,793**
Transferred in	-	2,421	-	-	**2,421**
Additions	-	751	384,523	50,806	**436,080**
Transfer from WIP	5,581	42,939	-	(48,520)	**-**
Disposals	(633)	(3,603)	(1,321)	-	**(5,557)**
At end of year	**16,396**	**111,799**	**1,566,886**	**33,556**	**1,728,637**
Accumulated depreciation					
At 31 March 2021 restated	2,019	16,488	312,540	-	**331,047**
Depreciation charged to the income statement	1,410	19,100	283,494	-	**304,004**
Disposals	(283)	(3,532)	(1,321)	-	**(5,136)**
At end of year	**3,146**	**32,056**	**594,713**	**-**	**629,915**
Net book value					
At beginning of year restated	9,429	52,803	554,351	31,270	**647,853**
At end of year	**13,250**	**79,743**	**972,173**	**33,556**	**1,098,722**

Under IFRS16, Right of Use (RoU) net book value totalled £972.2m (2021: £554.4m), of which £959.3m (2021: £545.1m) related to rolling stock leases (note: 22). RoU assets reflects any changes to the service agreements term assumption. The remeasurement in the year primarily relates to the extension of the service period for LNER to June 2025 from the previous end date of June 2023, and the extension of the service period for NTL to March 2025 from March 2024. The change in accounting judgement, as detailed in Note 1(u), has led to an increase in the asset value and recognised liability as at the balance sheet date. The change is accounted for as a reassessment rather than as a lease modification due to the fact that the extension option is conveyed by the original contract terms.

The Company had no Right of Use assets.

Previously, NTL's additions to tangible assets had been reported net of relevant capital grants which, while permitted by IAS20, was inconsistent with the treatment in the group's other subsidiaries. Under the group's accounting policy, capital grants are to be credited to deferred grant income and released as a credit to operating costs in the income statement over the estimated useful economic lives of the related assets. Therefore, the balance sheet has been restated for comparative year 2021 as follows:

	2021 **£000**
Plant and equipment, increase	8,338
Work in progress, increase	2,439
Deferred capital grant income < 1 year, increase	(1,820)
Deferred capital grant income > 1 year, increase	(8,957)
Impact to Net assets	-

The Company's reported additional plant and equipment costs of £7k (2021: £3k) in the year bringing total costs at 31 March 2022 of £31k, a net book value of £6k.

12 Assets held for sale

The table below reflects assets held for sale measured at the lower of carrying amount and fair value less costs to sell (or on the disposal) in the Statement of Financial Position.

	Plant and equipment	**Total**
	£000	**£000**
As at 31 March 2021	92,800	**92,800**
Disposals	(92,800)	**(92,800)**
At end of year	**-**	**-**

TF19 served notice to exercise its option to sale its entire Class 365 fleet, TF19's main line of rental income in financial year 2020-2021. The fleet was sold on 1 July 2021 for £92.8m. Refer to note 9 for details of the related asset held for sale.

13 Investments

The Group held the following unlisted investments at 31 March 2022. The principal activity of the below are companies is to provide a range of services to all UK passenger rail operators, each of which has an equal share in the companies.

Name of company	Country of registration	Class of share	No. of shares held 31 Mar 2021	Additions	31 Mar 2022	Proportion held
ATOC Limited	UK	Ordinary (4p)	2	1	3	15%
Rail Settlement Plan Limited	UK	Ordinary (4p)	2	1	3	15%
Rail Staff Travel Limited	UK	Ordinary (4p)	2	1	3	15%
NRES Limited	UK	Ordinary (£1)	2	1	3	15%

The Group holds an investment in associate 25.8% (2021: 25.8%) of the ordinary share capital in West Yorkshire Ticketing Company Limited which is incorporated in the UK and is owned by a number of operators. The company coordinates and manages the ticketing scheme by selling and promoting transport tickets on behalf of the West Yorkshire Combined Authority. Total equity and profits are not material and therefore have note been reflected as a sperate note.

Details of investments in the Company's subsidiaries as at 31 March 2022 are as follows, DOHL holds 100% ownership of each subsidiary:

Name of company	Country of registration	No. of shares held	Class of share	Fair value Company 2022 £'000	Company 2021 £'000
London North Eastern Railway Ltd**	UK	1	Ordinary (£1)	31,714	68,220
SE Trains Ltd**	UK	1	Ordinary (£1)	3,300	-
Train Fleet (2019) Ltd**	UK	16,100,100	Ordinary (£1)	6,401	-
Northern Train Ltd**	UK	1	Ordinary (£1)	27,105	138,795
Greater Western Railway Ltd*	UK	1	Ordinary (£1)	-	-
South Western Railway Ltd*	UK	1	Ordinary (£1)	-	-
Cross Country Rail Ltd*	UK	1	Ordinary (£1)	-	-
C2C Railway Ltd*	UK	1	Ordinary (£1)	-	-
Railway West Coast Ltd*	UK	1	Ordinary (£1)	-	-
GA Trains Limited Ltd*	UK	1	Ordinary (£1)	-	-
Transpennine Trains Ltd*	UK	1	Ordinary (£1)	-	-
Chiltern Rail Ltd*	UK	1	Ordinary (£1)	-	-
WM Trains Ltd*	UK	1	Ordinary (£1)	-	-
Midlands East Trains Ltd*	UK	1	Ordinary (£1)	-	-
Thameslink Southern Great Northern Ltd*	UK	1	Ordinary (£1)	-	-
Total Investments				**68,520**	**207,015**

* Combined investment, less than £1.5k

**LNER registered address: East Coast House 25, Skeldergate, York, England, YO1 6DH
NTL registered address: George Stephenson House, Toft Green, York, United Kingdom, YO1 6JT.
TF19 registered address: Great Minster House, 33 Horseferry Road, London, United Kingdom, SW1P 4DR.

The subsidiary investments in the Statement of Financial Position are stated at fair value. Investments' fair values are determined by reference to the net assets reported by the company at the reporting date, refer to note 1. u) for further details of the critical judgement. Therefore the fair value is under level 3 of the IFRS 13 hierarchy. The significant unobservable inputs are the reported net assets. The amount recognised in the Company income statement as a result of the change in fair value is a loss of £138,480,000 (2021: gain of £121,020). The level 3 inputs reflect the assumptions that market participants would use when pricing the investments.

The registered address for all 100% owned subsidiaries, excluding London North Eastern Ltd (LNER) and Train Fleet (2019) Ltd (TF19) is Albany House, Floor 8, 94-98 Petty France, London, England, SW1H 9EA.

The subsidiary company SE Trains Limited, company number 03266762 took advantage of exemption from audit under section 479A of the Companies Act 2006 up to the year ended 31 March 2021.

14 Inventories

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Raw materials and consumables	**13,515**	7,518	**-**	-

There is no material difference between the replacement value of inventories and their cost. The cost of stock recognised as an expense and included in operating costs during the period amounted to £55.9m (2021: £34.1m).

15 Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
Amounts falling due within one year:	**£000**	£000	**£000**	£000
Trade receivables:				
Rail Settlement Plan	**69,200**	7,729	**-**	-
Other trade receivables	**47,889**	18,228	**-**	-
	117,089	25,957	**-**	-
Amounts owed by group undertakings	**1,998**	188	**-**	103,778
Group relief	**-**	-	**8**	-
Value Added Tax receivable	**31,310**	14,279	**5**	15
Prepayments	**66,427**	21,132	**19**	13
Accrued income	**29,861**	6,455	**-**	-
Corporation tax	**7,870**	-	**225**	137
Other receivables	**5,604**	427	**42**	15
	260,159	68,438	**299**	103,958

Amounts due from group undertakings are unsecured and repayable on demand. Comparative year 2021 has been restated to reflect the new method of Pension accounting. The impact on the financial statements can be found in notes to the financial statements, note: 1(v).

Prepayments includes a highspeed (HS1) track access payment, paid for quarterly in advance £45,884,000.

Accrued income includes a receipt due from the DfT of £nil (2021: £1,749,000) representing the difference between final amounts due and the forecasted amounts claimed for the DfT service agreement subsidy.

16 Trade and other payables

	Group		Company	
	2022	Restated 2021	**2022**	2021
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Trade payables	**232,009**	78,080	**31**	84
Amounts owed to group undertakings	**-**	-	**49,622**	15,484
Deferred season ticket income	**21,597**	1,140	**-**	-
Other taxation and social security	**16,336**	10,799	**49**	45
Other payables	**12,603**	113,314	**3**	102,075
Accruals	**156,343**	124,310	**53**	44
Deferred income	**97,246**	22,373	**-**	-
Deferred capital grant income	**9,141**	2,913	**-**	-
Corporation tax payable	**-**	1,189	**-**	-
	545,275	354,118	**49,758**	117,732
Amounts falling due after more than one year:				
Deferred capital grant income	**30,397**	14,376	-	-

Amounts owed to group undertakings within one year and are repayable on demand and interest free. Other payables comparative year 2021 closing balance, relates to amount owned by DOHL to DfT when DOHL was classed as an Arm Length Body (ALB). Amounts owed were unsecured, repayable on demand and interest free.

Trade payables includes a payment due to the DfT of £91.2m (2021: £10.7m) representing the difference between final amounts due and the forecasted amounts claimed for the DfT service agreement subsidy.

Deferred revenue and deferred season ticket revenue are contract liabilities under IFRS 15. All previous contract liabilities are recognised as revenue in the year and the year end deferred revenue consists of balances created in the year.

Deferred income includes subsidy income received quarterly in advance from the DfT of £45.9m (2021: £nil) relating to the year ending 31 March 2023.

Comparative year 2021 and 2020 has been restated to reflect the new method of Pension accounting. The impact on the financial statements can be found in notes to the financial statements, note: 1(v). The comparative year 2021 include the reclassification of NTL deferred capital grant income for assets from non-current assets to trade and other payables in line with Group policy. In addition, the consolidated statement of financial position has been restated to separately present the IFRS 16 lease liabilities in accordance with paragraph 54(m) of IAS 1. Previously these had been included within Trade and other payables but have been restated to present a separate line on the statement of financial position. Trade and other payables have been decreased by £218.9m (current) and £355.7m (non-current) and current and non-current lease liabilities have been increased by the same amounts.

17 Provisions

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Insurance claims (a)	**975**	762	**-**	-
Dilapidation (b)	**11,637**	-	**-**	-
	12,612	762	**-**	-

a) Insurance claims

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
At start of year	**762**	671	**-**	-
Charged to the income statement	**631**	299	**-**	-
Unused amounts reversed	**(363)**	(90)	**-**	-
Utilised in year	**(55)**	(118)	**-**	-
Provision at end of year	**975**	762	**-**	-

The £975k (2021: £762k) provision relates to customer and employee claims against the Group's passenger rail service subsidiaries for compensation for injuries occurring whilst on the subsidiaries' property. Payments are expected to be made in respect of these claims as they are settled, which is typically within 5 years of origination, but the nature of the settlement process makes the timing of these payments uncertain. Estimates of claim values are based on actuarial reviews and prior claims history.

b) Dilapidations

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£'000
At start of year	**-**	-	**-**	-
Provision transferred in from LSER	**6,408**	-	**-**	-
Provision transferred in from Lessor	**3,844**	-	**-**	-
Charged to the income statement	**1,385**	**-**	**-**	-
Provision at end of year	**11,637**	-	**-**	-

The Group provides for property and fleet dilapidations, where appropriate, based on the future expected repair costs required to restore them to their fair condition at the end of their respective lease terms, which it is considered a reliable estimate can be made. Provisions transferred relates to Southeastern (see note 24)

Included within Southeastern dilapidations is £3,845,000, which has been received in cash from the lessor. When the Southeastern entered into the new train leases with the Roscos, they also took on the dilapidation obligations. To compensate for this, the lessor advanced these monies which have been treated as lease incentive payments to restore the trains back to their working condition for the remainder of the life of the lease.

Depot dilapidation provision transferred in from LSER is stated at cost based on the directors' best estimate (£5,756,000), refer to note 1 (vii) for accounting for transfer of assets judgement.

18 Deferred Tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred taxes relate to the same fiscal authority. The amounts are as follows:

Deferred tax asset:		Group		**Company**
	2022	Restated 2021	**2022**	2021
	£000	£000	**£000**	£000
Fixed assets	**-**	532	**(2)**	(2)
Accelerated capital allowances	**(319)**	-	**-**	-
Short-term provision	**(192)**	(548)	**-**	-
Defined benefit pension	**(2,116)**	(2,100)	**-**	-
Deferred tax asset	**(2,627)**	(2,116)	**(2)**	(2)

Deferred tax liabilities:				
	2022	Restated 2021	**2022**	2021
	£000	£000	**£000**	£000
Accelerated capital allowances	**744**	-	**-**	-
Short-term provision	**(382)**	-	**-**	-
Defined benefit pension	**-**	-	**-**	-
Deferred tax Liabilities	**362**	-	**-**	-
Net Deferred tax Liability/(Asset)	**(2,265)**	(2,116)	**(2)**	(2)

The movement in deferred tax during the year was:

		Group		**Company**
	2022	Restated 2021	**2022**	2021
	£000	£000	**£000**	£000
At beginning of year	**(2,116)**	(1,562)	**(2)**	(1)
Charge to income statement	**(265)**	751	**-**	(1)
Prior charge to income statement	**-**	-	**-**	-
Charge to OCI (note 8b)	**116**	(1,305)	**-**	-
Deferred tax provision	**(2,265)**	(2,116)	**(2)**	(2)

Deferred tax assets and liabilities are assessed for the year using the standard effective rate of corporation tax in the UK of 19% (2021: 19%).

Comparative year 2021 and 2020 has been restated to reflect the new method of Pension accounting. The impact on the financial statements can be found in notes to the financial statements, note: 1(v).

19 Financial instruments

	Group 2022	Group Restated 2021	Company 2022	Company 2021
	£000	£000	**£000**	£000
Financial assets measured at amortised cost				
Cash and cash equivalents	**303,445**	201,286	**92,017**	55,348
Trade receivables	**117,089**	25,957	**-**	-
Other debtors	**37,463**	7,070	**42**	16
Amounts owed by Group undertakings	**-**	-	**-**	88,294
	457,997	234,313	**92,059**	143,658
Financial liabilities measured at amortised cost				
Trade creditors	232,009	78,080	**31**	84
Other liabilities (current)	34,202	12,190	**4**	-
Other liabilities (non-current)	21,078	11,821	**-**	-
Accrued expenses	156,343	124,310	**53**	44
Government loan	**-**	102,265	**-**	102,265
Lease liabilities	993,268	574,580	**-**	-
Amounts owed to Group undertakings	-	-	**49,622**	15,484
	1,436,900	903,246	**49,710**	117,877

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements. There were no transfers between levels throughout the period under review.

Fair value hierarchy

- Level 1: inputs are quoted prices in active markets
- Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets; and
- Level 3: a valuation using unobservable inputs i.e., a valuation technique.

20 Financial risk management

Overview
As a result of using financial instruments, the Group and the Company is exposed to the following main risks:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's and Company's exposure to each of the above risks, the Group's and Company's objectives, policies and processes for measuring and managing risk, and the Group's and Company's management of capital.

Risk management framework
The Board is continually reviewing the exposure to liquidity and cash flow risk. For the year ended 31 March 2022 the Group and Company's risk management controls operated well and the Group and Company were not exposed to any significant risk in these areas.

Credit risk
Credit risk is the risk of financial loss to the Group and Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables (including amounts due from related parties) and cash at bank. The Group's exposure to such credit risk is monitored on an ongoing basis by the management of the respective subsidiaries and the Company. The Group's cash is placed with banks of repute.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The Group's and Company's maximum exposure to credit risk arising from financial assets at the reporting date was equal to the carrying value of financial assets. The Group and Company has no material credit risk exposure to commitments and guarantees.

Credit risk was managed by holding cash with large high street financial institutions with satisfactory credit ratings. Furthermore, all significant receivable balances are managed to ensure that the credit quality of the counterparty is satisfactory.

Liquidity risk

Liquidity risk is the risk that the Group and the Company is not able to meet its financial obligations as they fall due, or that it can only do so at excessive cost. Liquidity risk mainly relates to trade and other payables, including amounts due to related parties and lease liabilities. The objective of liquidity risk management is to ensure, as far as possible, that the Group and Company will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation. Each subsidiary is also responsible for managing its liquidity risk. The Group manages its liquidity by:

- Monitoring future cash flows to ensure that requirements can be met; and
- Ensuring that there is a sufficient mixture of long-term and short-term debt finance to meet planned operations.

No financial liabilities have maturity beyond five years.

Market risk

Market risk is the risk that changes in market factors, such as equity prices, interest rates and foreign currency rates will affect the value of financial instruments and the Group's income and equity. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns. The activities of the Group including the Company create exposures to specific market risks that are managed through risk management frameworks appropriate for the inherent business risks.

The Group and the Company has no material exposure to equity price risk due to the insignificant value of investments.

The Group and the Company has no material exposure to interest rate risk due to the insignificant value of variable interest borrowing.

The Group and the Company has no material exposure to currency risk due to the insignificant value of financial instruments not denominated in the functional currency.

Capital management

The objective of the Group's capital management is to ensure that it maintains strong capital ratios to enable it to support its business and maximise value for the Government.

The Group manages its capital structure in light of changes in economic and market conditions. The total equity attributable to the equity holder of the Group comprises capital, other distributable and non-distributable reserves and retained earnings totalling £111.1m as at 31 March 2022 (2021: £90.1m).

The Group and the Company has no financial arrangements that require maintaining certain ratios or shareholding structures.

21 Called up share capital

	Group and Company 2022 £	Group and Company 2021 £
Issued share capital unpaid		
Ordinary shares of £1 each	**1**	1

22 Reserves

A reconciliation of the movements in reserves is shown in the Consolidated Statement of Changes in Equity on page 39 and (the Company on page 40). The balance held in the retained earnings reserve includes the accumulated retained profits of the Group.

The capital contribution relates to £16.1m of Grant in aid from the DfT to DOHL used to acquire £16.1m of TF19 share capital. The amount represented a capital contribution as it was provided by a related party as part of its activities in acting as the owner of the Company.

The capital contribution previously recognised included the Group's defined benefit pension asset net of deferred tax at the start of ownership, amounting to £57.8m. Following the restatement, there was a net defined benefit pension liability net of deferred tax. The restatement results in this liability being recognised directly in retained earnings at the date ownership was transferred for the Franchise Section.

23 Capital commitments

	Group		Company	
	2022	Restated 2021	**2022**	2021
	£000	£000	**£000**	£000
Contracted	**26,796**	24,332	**-**	-
Authorised but not contracted	**28,122**	10,669	**-**	-
Total	**54,918**	35,001	**-**	-

Capital commitments relate to capital projects that the Group is committed to or has approved but not yet contracted as at 31 March 2022, the cost to be incurred over the remaining capital project timeline.

24 Transfer Agreement

a) Transfer of London South Eastern Railway Limited (LSER) assets and liabilities to Southeastern

On 17 October 2021, LSER ceased operations and SET began operating under a Service Agreement with the Department for Transport. On the date of transfer, the Franchise assets and liabilities were transferred to SET. The net cash consideration received by SET was £17.1m for deferred season ticket income, received on 26 January 2022. All other balances, except for some fixed assets, inventories and depot dilapidation provisions have been agreed, but are still due to be settled. The assets and liabilities which are still to be finalised are subject to commercial negotiations.

A balance of £4.3m is still owing at the balance sheet date and is included in other receivables. This excludes the season ticket income, which has already been settled in January 2022.

The table below sets out the amounts which have been recognised upon transfer.

	17 Oct 2021 Transfer value £'000
Agreed value - Settled in cash	
Deferred season ticket income	(17,061)
	(17,061)
Agreed value - Unsettled	
Tangible Fixed assets	1,854
Intangible Fixed assets	200
Prepayments	35,606
Other receivables	75
Cash in hand	1,049
Other payables	(931)
Deferred income	(30,185)
Admin building Dilapidations	(652)
Annual leave provision	(2,416)
	4,600
Subject to commercial agreement	**Management best estimate £'000**
Tangible Fixed assets	567
Inventories	4,843
Depot Dilapidations	(5,756)
	(346)
Net asset	**(12,807)**

At the date of signing these financial statements the transfer agreement has not been finalised between LSE and Southeastern in regard to certain tangible assets, inventory and depot dilapidations, with negotiations ongoing. The company has recorded its best estimate of the expected values and whilst the difference between the two parties is currently material, management do not believe there will be a material difference to the final agreed settlement value to the amounts currently recognised in the financial statements once negotiations are concluded.

25 Leases

	Rolling Stock £000	Land & Buildings £000	Plant & Machinery £000	Total £000
Lease liabilities				
Balance at 31 March 2021	565,170	8,970	440	**574,580**
Additions	361,809	2,952	1,145	**365,906**
Remeasurement	312,084	4,590	119	**316,793**
Interest	30,336	94	10	**30,440**
Repayment of lease liabilities	(288,314)	(5,718)	(419)	**(294,451)**
Balance at 31 March 2022	**981,085**	**10,888**	**1,295**	**993,268**

	Rolling Stock £000	Land & Buildings £000	Plant & Machinery £000	Total £000
Current lease liabilities	330,600	6,487	702	**337,789**
Non-current lease liabilities	650,485	4,401	593	**655,479**
Total lease liabilities	**981,085**	**10,888**	**1,295**	**993,268**
Right of use assets				
Balance at 31 March 2021	545,082	8,778	491	**554,351**
Additions	380,426	2,952	1,145	**384,523**
Remeasurement	312,084	4,590	119	**316,793**
Depreciation for the year	(278,336)	(4,738)	(420)	**(283,494)**
Balance at 31 March 2022	**959,256**	**11,582**	**1,335**	**972,173**

	Rolling Stock £000	Land & Buildings £000	Plant & Machinery £000	Total £000
Lease amounts recognised in operating costs:				
Leases of low value assets	-	-	513	**513**
Total	**-**	**-**	**513**	**513**

Right of use assets comprise rolling stock, offices and other property leases plus depot equipment. Included in rolling stock right of use assets are the new LNER's Azuma fleet in addition to part of the legacy fleet retained at year end for all three TOCs. The Azuma lease continues until 2046 and Southeastern rolling stock leases to 2024. The remeasurement in the year primarily relates to the extension of the service period for LNER to 2025 (2021: to 2023), NTL to 2025 (2021: to 2024). The change of accounting judgement, as detailed in note 1, has led to an increase in the asset value and recognised liability as at the balance sheet date.

Additions of £384.5m include lease additions where Southeastern entered into new lease agreements covering assets which had previously been leased by LSER, £358.2m.

The amount for lease payments above includes £25m non-cash items for availability adjustments.

Maintenance and variable components of the lease are shown in operating costs.

25 Retirement benefit obligations

The Company's subsidiary, LNER, NTL and Southeastern operates a final salary pension scheme and is part of the Railways Pension Scheme, but its assets and liabilities are identified separately from the remainder of the Scheme.

The Sections are a shared cost arrangement whereby the subsidiaries are only responsible for a share of the cost. The figures reported below therefore represent only the companies' share of the cost, except that the tables reconciling the Section's Defined Benefit Obligations (DBO) and assets from the start to the end of the year are presented before the deduction of the members' share of the defined benefit cost, or the surplus or deficit. The exception is for the income statement items to be the companies share only in line with the income statement expense table. This is for simplicity of presentation and for consistency with the DBO and assets quoted in the table showing the pension scheme liability or asset at the end of the year.

The Section is open to new members.

Employer contributions for the period ended 31 March 2022 are;

Section Pay	**LNER 2022**	LNER 2021	**NTL 2022**	NTL 2021	**SETL 2022**	SETL 2021
Category 60 Members	**11.70%**	11.70%	**13.7%**	13.7%	**10.92%**	n/a
Category 62 Members	**10.32%**	10.32%	**12.2%**	12.2%	**9.42%**	n/a
Category 64 Members	**9.90%**	9.90%	**n/a**	n/a	**n/a**	n/a

The trustees complete a full actuarial valuation triennially, separately for each section of the RPS, but the obligation is updated annually by independent actuaries using the projected unit credit method for financial reporting purposes. The level of contributions paid by the companies are in line with the latest certified schedule of contributions which was signed in 2013. The 2016 and 2019 funding valuations of the RPS have not yet been signed.

The method of Pension accounting applied in the financial statements has changed this year from the previous 'Franchise Adjustment' method to the 'Income Statement Franchise Adjustment' method for LNER and NTL. This has been prompted by a review by DOHL of TOC pension accounting arrangements following the addition of Southeastern Trains to DOHL during the year. This now aligns LNER and NTL to a recognised accounting approach adopted by the majority of TOC schemes. The new approach is seen as easier for a user of the financial statements to follow and is not sensitive to the key accounting judgement around the duration of the services agreements.

The Group is exposed to a number of risks relating to the Section, including assumptions not being borne out in practice. It should be noted that due to the nature of the franchise adjustment, the Group is effectively shielded from these risks relating to the Section in the short-term. Some of the most significant risks are as follows, although the list is not exhaustive:

26 Retirement benefit obligations (continued)

- Asset volatility: There is the risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the Section's DBO. The Section holds a proportion of growth assets, which are expected to outperform corporate and government bond yields in the long-term but gives exposure to volatility and risk in the short-term.
- Change in bond yields: A decrease in corporate bond yields will increase the value placed on the Section's DBO, although this will be partially offset by an increase in the value of the Section's corporate bond holdings.
- Inflation risk: The majority of the Section's DBO is linked to inflation, where higher inflation will lead to a higher value being placed on the DBO. Some of the Section's assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit.
- Life expectancy: An increase in life expectancy will lead to an increased value being placed on the Section DBO. Future mortality rates cannot be predicted with certainty.

Membership data:

	LNER	LNER	**NTL**	NTL	**SETL**	SETL
	2022	2021	**2022**	2021	**2022**	2021
Active members	**2,929**	2,956	**6,774**	6,516	**4,659**	n/a
Deferred members	**3,927**	3,938	**3,310**	3,229	**3,045**	n/a
Pensioner members (including dependants)	**2,196**	2,099	**3,628**	3,612	**3,286**	n/a

Asset Data:

	LNER	**NTL**	**SETL**	**Total**
At 31 March 2022	**£000**	**£000**	**£000**	**£000**
Growth assets	**668,104**	**1245,687**	**966,018**	**2,879,809**
Property	**-**	**-**	**-**	**-**
Other assets	**96,001**	**176,208**	**132,858**	**405,067**
Total asset value	**764,105**	**1,421,895**	**1,098,876**	**3,284,876**

	LNER	NTL	SETL	Total
At 31 March 2021	£000	£000	£000	£000
Growth assets	610,138	1,220,667	-	1,830,805
Government bonds	20,144	-	-	20,144
Non-Government bonds	47,004	-	-	47,004
Property	-	5,200	-	5,200
Other assets	3,702	9,374	-	13,076
Total asset value	680,988	1,235,241	-	1,916,229

26 Retirement benefit obligations (continued)

	31 March 2022	31 March 2021
	% pa	% pa
Discount rate	**2.65**	2.05
Future price inflation (RPI measure)	**3.60**	3.20
Future price inflation (CPI measure)	**3.30**	2.90
Pension increases (CPI measure)	**3.30**	2.90
Pensionable Salary increases	**3.60**	3.20

The assumed average expectation of life in years at age 65 is as follows (before postcode-based adjustments for males):

As at 31 March	**LNER 2022**	LNER 2021	**NTL 2022**	NTL 2021	**SETL 2022**	SETL 2021
Male currently aged 65	**20.4**	20.4	**20.4**	20.4	**20.4**	n/a
Male currently aged 45	**21.7**	21.8	**21.8**	21.8	**21.7**	n/a
Female currently aged 65	**22.6**	22.7	**22.7**	22.7	**22.6**	n/a
Female currently aged 45	**24.2**	24.2	**24.3**	24.2	**24.2**	n/a

Defined benefit asset at end of year:

	LNER	**NTL**	**SETL**	**Total**
At 31 March 2022	**£000**	**£000**	**£000**	**£000**
Defined benefit obligation at end of year				
Active members	**(545,842)**	**(1,326,942)**	**(1,009,435)**	**(2,882,219)**
Deferred members	**(232,528)**	**(238,491)**	**(204,533)**	**(675,552)**
Pensioner members (incl. dependants)	**(245,548)**	**(389,796)**	**(336,179)**	**(971,523)**
Total defined benefit obligation	**(1,023,918)**	**(1,955,229)**	**(1,550,147)**	**(4,529,294)**
Fair value of assets at end of year	**764,105**	**1,421,895**	**1,098,876**	**3,284,876**
Adjustment for the members' share of deficit	**103,925**	**213,333**	**180,508**	**497,766**
Deficit expected to be recovered after end of current service period (Franchise adjustment)	**155,888**	**311,535**	**270,763**	**738,186**
Net defined benefit asset at end of the year 31 March 2022	**-**	**(8,466)**	**-**	**(8,466)**

26 Retirement benefit obligations (continued)

	LNER	NTL	SETL	Total
At 31 March 2021	£000	£000	£000	£000
Defined benefit obligation at end of year				
Active members	(539,615)	(1,272,722)	-	(1,812,337)
Deferred members	(240,191)	(242,265)	-	(482,456)
Pensioner members (incl. dependants)	(268,028)	(431,771)	-	(699,799)
Total defined benefit obligation	(1,047,834)	(1,946,758)	-	(2,994,592)
Fair value of assets at end of year	680,988	1,235,241	-	1,916,229
Adjustment for the members' share of deficit	146,738	284,607	-	431,345
Deficit expected to be recovered after end of current service period (Franchise adjustment)	220,108	415,851	-	635,959
Net defined benefit obligation at end of the year 31 March 2021	-	(11,059)	-	(11,059)

Reconciliation of net defined benefit asset/(obligation):

	LNER	**NTL**	**SETL**	**Total**
At March 2022	**£000**	**£000**	**£000**	**£000**
Opening net defined (obligation) liability 1 April 2021 restated	**-**	**(11,059)**	**-**	**(11,059)**
Employer's share of P&L expense	**(7,947)**	**(18,571)**	**(5,825)**	**(32,343)**
Employers' contributions	**7,947**	**22,948**	**5,825**	**36,720**
Total gain recognised in OCI	**-**	**(1,784)**	**-**	**(1,784)**
Closing net defined benefit obligation at 31 March 2022	**-**	**(8,466)**	**-**	**(8,466)**

Profit & Loss (P&L) at 31 March 2022:

	LNER	**NTL**	**SETL**	**Total**
	£000	**£000**	**£000**	**£000**
Employer's share of service costs	**27,648**	**67,605**	**24,130**	**119,383**
Franchise adjustment to service cost	**(21,137)**	**(51,615)**	**(18,424)**	**(91,176)**
Employer's share of administration cost	**1,436**	**2,354**	**119**	**3,909**
Total employer's share of service cost	**7,947**	**18,344**	**5,825**	**32,116**
Employer's share of net interest on net defined benefit asset	**4,448**	**8,545**	**3,692**	**16,685**
Interest on franchise adjustment	**(4,448)**	**(8,318)**	**(3,692)**	**(16,458)**
Employer's share of P&L expense	**7,947**	**18,571**	**5,825**	**32,343**

26 Retirement benefit obligations (continued)

Profit & Loss (P&L) at 31 March 2021:

	LNER	NTL	SETL	Total
	£000	£000	£000	£000
Employer's share of service costs	18,641	43,844	-	62,485
Franchise adjustment to service cost	(12,646)	(29,710)	-	(42,356)
Employer's share of administration cost	1,758	3,130	-	4,888
Past service cost adjustment	55	168	-	223
Total employer's share of service cost	7,808	17,432	-	25,240
Employer's share of net interest on net defined benefit asset	3,756	6,182	-	9,938
Interest on franchise adjustment	(3,756)	(6,005)	-	(9,761)
Employer's share of P&L expense	7,808	17,609	-	25,417

Other comprehensive income (OCI):

	LNER	**NTL**	**SETL**	**Total**
at March 2022	**£000**	**£000**	**£000**	**£000**
(Loss) due to demographic assumptions	**(1,298)**	**-**	**(2,111)**	**(3,409)**
Gain due to liability experience	**-**	**48,324**	**-**	**48,324**
Gain due to financial assumptions	**32,061**	**41,678**	**1,904**	**75,643**
Gain due to DBO experience	**18,712**	**-**	**199**	**18,911**
Return on plan assets (less) than discount rate	**(49,475)**	**(88,218)**	**8**	**(137,685)**
Total gain recognised in the OCI at March 2022:	**-**	**1,784**	**-**	**1,784**

	LNER	NTL	SETL	Total
at March 2021	£000	£000	£000	£000
(Loss) due to demographic assumptions	(6,993)	(17,761)	-	(24,754)
Gain due to liability experience	89,712	117,126	-	206,838
Gain due to financial assumptions	(66,907)	(120,163)	-	(187,070)
Gain due to DBO experience	(15,812)	27,671	-	11,859
Total gain recognised in the OCI at March 2021	-	6,873	-	6,873

Actuarial Gain/(Loss) due to financial assumptions includes the movement in the "Deficit expected to be recovered after end of current franchise period". The transferred in deficit relating to SETL as at 17 October 2021 totalled £395,803,000 and the balance as at 31 March 2022 was £270,763,000.

26 Retirement benefit obligations (continued)

Reconciliation of defined benefit obligation (DBO) at 31 March 2022:

	LNER	NTL	SETL	Total
	£000	£000	£000	£000
Opening defined benefit obligation at 1 April 2021 restated	1,047,834	1,946,758	-	2,994,592
Transferred defined benefit obligation	-	-	1,757,585	1,757,585
Service cost	27,648	67,605	24,130	119,383
Interest cost on DBO	12,771	23,745	9,867	46,383
Franchise adjustment to service cost	(21,137)	(51,615)	(18,424)	(91,176)
Interest on franchise adjustment	(4,448)	(8,318)	(3,692)	(16,458)
Employee contributions	5,140	15,038	3,795	23,973
Gain/(Loss) on DBO – experience	31,187	61,575	(878)	91,884
Gain/(Loss) on DBO – demographic assumptions	(2,164)	(4,062)	(3,518)	(9,744)
Gain/(Loss) on DBO – financial assumptions	(53,598)	(100,333)	(205,227)	(359,158)
Benefit payments	(19,315)	(32,451)	(13,491)	(65,257)
Pensions liability on business combination	-	37,287	-	37,287
At end of year 31 March 2022	1,023,918	1,955,229	1,550,147	4,529,294

Reconciliation of value of assets at March 2022:

	LNER	NTL	SETL	Total
	£000	£000	£000	£000
Opening value of section assets at 1 April 2021 restated	680,988	1,235,241	-	1,916,229
Transferred value of section assets	-	-	1,097,913	1,097,913
Interest income on assets	8,323	15,201	6,175	29,699
Return on plan assets greater than discount rate	82,458	147,032	(1,222)	228,268
Employer's contributions	7,947	22,948	5,825	36,720
Employee contributions	5,140	15,038	3,795	23,973
Actual benefit payments	(19,315)	(32,451)	(13,491)	(65,257)
Administration costs	(1,436)	(2,354)	(119)	(3,909)
Pensions liability on business combination	-	21,240	-	21,240
Closing value of section assets at 31 March 2022	764,105	1,421,895	1,098,876	3,284,876

26 Retirement benefit obligations (continued)

DBO sensitivity to significant actuarial assumptions:

	Sensitivity	Approximate change in DBO			
		LNER	NTL	SETL	Total
	£000	£000	£000	£000	£000
Discount rate	**-0.25% p.a.**	+59,700	+113,516	+91,100	+264,316
	+0.25% p.a.	-55,100	-104,955	-84,100	-244,155
Price inflation (CPI measure) *	**-0.25% p.a.**	-52,200	-99,097	-79,400	-230,697
	+0.25% p.a.	+56,300	+106,570	+85,600	+248,470
Salary increases	**-0.25% p.a.**	-16,400	-37,843	-28,400	-82,643
	+0.25% p.a.	+17,100	+39,210	+29,500	+85,810
Life expectancy	**-1 year**	-41,000	-84,074	-62,000	-187,074
	+1 year	+41,000	+84,074	+62,000	+187,074

*Including consistent increases to RPI, salary growth and RPI/CPI related pension increase assumptions, where applicable.

The sensitivity figures are as at 31 March 2022. In addition, the sensitivity figures are based on indicative calculations and therefore may not be sufficiently accurate for use in any actuarial calculations whose results are intended for disclosure in the Group's accounts.

Projected cost recognised in income statement:

	LNER	**NTL**	**SETL**	**Total**
	£000	**£000**	**£000**	**£000**
Employer's share of service cost	**26,850**	**62,406**	**47,479**	**136,735**
Franchise adjustment to service cost	**(20,380)**	**(46,668)**	**(36,024)**	**(103,072)**
Employer's share of administration cost	**1,484**	**2,432**	**1,765**	**5,681**
Employer's share of net interest on net defined benefit liability	**4,133**	**8,287**	**7,096**	**19,516**
Interest on service period adjustment	**(4,133)**	**(8,063)**	**(7,096)**	**(19,292)**
Closing value of section assets at 31 March 2022	**7,954**	**18,394**	**13,220**	**39,568**

27 Related party disclosures

DfT OLR Holdings Limited is a company wholly owned by the Secretary of State for Transport. A Funding Deed exists between the Company and Secretary of State whereby a loan facility of £440m has been provided to the Company. The facility term ends six months after all termination of all the Services Agreements. At the 31 March 2022, the Company had no outstanding balances owed to or from the Secretary of State for Transport (2021: £102.1m, outstanding loan).

The Company's subsidiaries, London North Eastern Railway Limited (LNER) Northern Trains Limited and SE Trains Limited (Southeastern), operates rail franchise under licence under a services agreement with the Department for Transport. Under the services agreement both companies are required to make a or receive a 'Fixed service payment' to or from the Department for Transport. For the year to 31 March 2022 all three TOCs received a service agreement subsidy; LNER, £248.2m (2021: £602m), NTL, £632.6m (2021: £782m) and Southeastern, £231.5m (2021: nil, commenced trading 17 October 2021). Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

26 Retirement benefit obligations (continued)

Network Rail is one of Group's main industry stakeholders, owned by the Secretary of State for Transport. Transactions between them and the Group are at arm lengths and are not classed as related party transactions. During the financial year 2022 approximately, £358.3m (2021: £268.5m) for services was paid to NR. Capital project funding was also received, net of capital costs, of £12.5m (2021: £15.2m). As at the 31 March 2021, balances with Network Rail included receivables of £28.3m (2021: £1m) and payables of £46.2m (2021: £64.3m).

27 Ultimate parent undertakings

The immediate and ultimate parent undertaking and controlling party is the Secretary of State for Transport. The financial statements of the Secretary of State for Transport can be obtained from Great Minster House, 33 Horseferry Road, London, SW1 P4DR.

28 Post balance sheet event

Since the year end the RMT, ASLEF and TSSA trade unions have called strikes across the rail industry in Britain. These included the employees of LNER, NTL and Southeastern, as well as Network Rail the infrastructure provider and other train operating companies. Regrettably at the date of signing the financial statements, we anticipate further industrial action. We are working to try to resolve this situation for the benefit of our passengers, our employees, and the company and its shareholder.