DfT OLR Holdings Limited

Annual Report and Financial Statements

For the year ended 31 March 2020

Company Registration Number 07141122

Registered office:

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Contents

Company information

Non-Executive Chairman	Richard George
Chief Executive and Accounting Officer	Robin Gisby
Executive Finance Director	Richard Harrison
Non-Executive Directors	David Bennett Tim Buxton Chris Gibb
Company Secretary	Richard Harrison
Registered Office	Albany House 8th Floor 94-98 Petty France London England SW1H 9AE
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 29 Wellington Street Leeds England LS1 4DL

I am pleased to report that the Group has continued to achieve its primary objectives whilst also rising to the challenges faced by the recent Covid epidemic.

DOHL is a wholly owned subsidiary company of the Department for Transport (DfT). The company performs the role of an Operator of Last Resort Holding Company on behalf of DfT for Railway Operations that are moved into government ownership.

The primary objectives of DOHL are to facilitate the transfer of ownership and then to provide good governance, support and direction to the companies under its control whilst in the DfT ownership. DOHL has a pool of talents and skills from highly experienced railway managers to financial and business experts. In early 2020 DOHL Board also welcomed an additional Non-Executive director, Chris Gibb. He brings a wealth of experience and expertise in railway operations as well as in corporate governance of Safety and Operational issues.

The statements cover 2019-2020, the second year of operation of the Company. The year has seen London North Eastern Railway Limited company (LNER) first full year of trading after transferring from Virgin Trains East Coast (VTEC) on 24 June 2018, the transfer of ownership to DOHL of Northern Trains Limited from the former Arriva Rail North (ARN) Franchise under the ownership of Arriva UK Trains Limited and the establishment of Train Fleet (2019) Limited (TF19) for the acquisition of a small fleet of Class 365 units.

I am delighted with LNER's achievement in introducing the Azuma trains to all their routes, significantly improving the customer experience and reducing emissions. I have seen the leadership across the business and the relationships with their stakeholders positively strengthen. On 26 June 2020 DfT announced that has made a Direct Award to LNER to continue operating intercity rail services on the East Coast for another three years with the option to extend for a further two. This will allow us to continue delivering planned improvements for customers, including completing the introduction of Azuma trains and associated increase in services, destinations and journey times as well as our enhanced customer experience.

The transfer of NTL's ownership to DOHL occurred on 1 March 2020 following the Secretary of State's announcement on 29 January 2020. The transfer and mobilisation of the new arrangements were undertaken successfully and in a way that caused as little disruption to the travelling public, the staff, safety and the commercial impetus of the business as could be managed.

The Class 365 fleet was brought into TF19 ownership within DOHL from 13 August 2019, having been acquired from Eversholt Rail Group. Continuity of leasing arrangements to Govia Thameslink Railway was maintained for the twenty one units in their passenger rail service.

Since the start of the Covid epidemic, the Group and our subsidiaries have put the health and safety or our customers and staff to the forefront of our decision making. Adhering to Government guidelines, our passenger services will continue and are central to the economic recovery of the country.

The Holding Company operation in financial terms is a small one. The finances are driven by the scale of operation of the operating companies under the Holding Company control. A review of the operations in the year is presented in the CEO's overview. The CEO of DOHL as part of his duties acts as Chairman of the LNER and the NTL Board. My duties as Chairman of DOHL also extend to being Chairman of TF19.

Work is ongoing to ensure that DOHL is equipped and ready, if necessary, to manage any further Rail Operations should this be required. The current economic climate in the rail industry is one of great uncertainty caused by the pandemic. There is uncertainty as to how long LNER, NTL and any other train company might remain in the control of DOHL, or in the future contractual arrangements within the industry. Meanwhile the objective of DOHL is to ensure that any company held within its control remains in good health, operates efficiently and is fit for purpose in any future circumstances.

Richard George
Chairman
30 July 2020

In its second year of operation, DOHL successfully carried out the mobilisation and transfer of Northern Trains Limited, another franchised Train Operating Company into public ownership for a period stated its Service agreement. It also supported the further development of LNER as it re-established itself as the premier long distance operator.

Northern

NTL is the largest regional operator in the UK running 412 trains calling at 535 stations of which it directly manages 478. Its transfer was therefore a complex activity but was achieved seamlessly in just four weeks without disruption to services or passengers and within budget. As it was after a very uncertain period for the management and staff. I am extremely grateful for their help and support in delivering the transfer. We were also very indebted again for the detailed work of the Department for Transport's Franchise Resilience and Mobilisation team without which we would not have achieved such a smooth transition.

From that position we were able to embark on the review ordered by the Secretary of State, the "100 Day Plan" which was delivered by NTL on time (within a 100 days from the start of the franchise) despite the impact of Covid. That plan sets out short term initiatives for restoring the basics of NTL's operations to improve customer service. It also links to the developments planned by the North West Recovery Task Force, led by Network Rail and working with local stakeholders, to make a significant increase in Northern's capacity and reliability amongst other benefits once Covid is behind us.

London North Eastern Railway

During the year LNER has overcome a range of inherited challenges in its first full year of operation to successfully deliver the first stage in a multi-year transformation of intercity high-speed services on its route. LNER's new Azuma fleet, which was introduced into customer service in May 2019, has allowed us to start running the railway of the future, serving new destinations while reducing emissions per passenger and significantly improving the customer experience with more spacious, quieter, more frequent and more reliable journeys. During the year LNER launched new regular, direct services to Lincoln and Harrogate. The technological advances of Azuma compared to our legacy fleet have already paid dividends, including during the disruptive weather at the start of 2020.

The drive to achieve modal shift continued to reap results with share versus airlines on our London-Edinburgh route growing to 36.9 per cent up over three per cent on target. We have also continued to put the customer first with our Single Leg Pricing trial rolled out on three of our key routes, and over 25,000 families many of whom are new to rail benefiting from LNER's Family Ticket.

Train Fleet (2019)

Since the start of trading, the majority of Train Fleet (2019) Limited's fleet of Class 365 has continued to operate in passenger traffic, earning rental income for the company. The rental income is expected to continue to allow it to generate positive cash flow for the foreseeable future. The remainder is in store and available for rent. There is an ongoing stream of potential rental opportunities for the remainder of the fleet, and these are being continuously explored, but the nature of the UK rolling stock market is that these take many months or years to mature. Given these factors the Company has recognised a reduction of the fleet's value to the board's estimation of the present value of its future rental income. The board continuously explores ways to maximise the value and utility of the company's train fleet for its stakeholders.

Covid

The pandemic began to have a material effect on DOHL's activities right at the end of the year with the country entering lockdown on Monday 23 March 2020. From that time both operating businesses have put the welfare of staff and passengers at the forefront of their planning and delivery. Service levels were cut back to reflect the initial fall in demand of up to 95%. Minimum staffing levels were introduced with the appropriate safeguards. Non-essential costs were eliminated. Since then service levels have been gradually increased, in line with government guidelines and available resources, to offer as much capacity as possible, whilst continuing to follow government guidelines. Both operating businesses have continued to work in partnership with industry stakeholders to share best practice and ensure a consistent approach to customer information.

Next Steps

As we recover from Covid and NTL embarks on achieving their objective and initiatives set out in its 100 Day Plan, DOHL is now getting ready to take on further activities should that be required.

Robin Gisby
CEO and Accounting Officer
30 July 2020

The Directors present their strategic report for the year ended 31 March 2020.

OPERATIONAL REVIEW

Fleet

During the year London North Eastern Railway Limited (LNER) successfully managed the introduction of the new 'Azuma' trains, bringing a step change in reliability, compared to the 40-year-old legacy trains they replaced. This will bring further improvements to fleet performance as well as working closely with the train provider, Hitachi to ensure the remaining Azuma trains are smoothly introduced throughout 2020.

Under the Services Agreement Northern Trains Limited (NTL) are committed to continue rolling out the new state-of-the-art trains with top speeds of 100mph allowing for extra capacity. New technology is being trialled to identify passenger demand and overcrowding pinch points. An overhaul of on-board cleanliness, including a major deep cleaning program of all trains has commenced. This is to ensure that for every journey a passenger makes with NTL will be on trains that are upheld to an enhanced standard of cleanliness. A recruitment drive to increase on-board train presentation staff by 66 new posts is underway.

There is an ongoing stream of potential rental opportunities for Train Fleet (2019) Limited's (TF19) Class 365 fleet, and these are being continuously explored. The nature of the UK rolling stock market is that these take many months or years to mature. Given these factors the Group has recognised a reduction of the fleet's value to the board's estimation on the present value of its future rental income.

Customers and Communities

The Group stays aligned with customer expectations and interest through several means, regularly capturing customers and stakeholder insight. In addition, the sentiment of customer engagement on our social media channels and enquiries into our customer contact team are monitored.

During the year LNER has developed digital products to improve the customer's journey such as the responsiveness to inform customers of future train alterations and accessibility to procure tickets. Being part of the communities is much more than just the connectivity our services provide, it's how we support employment, education, culture and the environment. To do this, LNER is piloting bold new initiatives from local partnerships to delivering impact through their Customer and Community Investment Fund. To lift and support communities so they can be their best.

The move to public ownership and launch of NTL has seen a renewed focus on customer experience right across the business. A refreshed service quality regime producing actionable data has started to deliver results and ensure activity is targeted where customers stand to benefit most. Quarterly Voice of the customer workshops across the busines, support customer action plans to drive positive change. The Northern Accessibility User Group allows us to work closely with our less mobile customers on the issues they care about most. Moving forward, NTL is moving to a more customer-centric position, with new tools and methodologies to drive 'customer first' thinking and updated training for customer-facing colleagues.

Our Suppliers

The Group adhere to a Code of Conduct consistent with the Government Code of Good Practice for Corporate Governance, further details can be found in the 'Director Report' on page 15. As a way forward the Group is taking measures to ensure all key suppliers are aligned to us, for example, LNER issue a Supplier Code of Conduct to its key suppliers outlining how it aspires to manage its long-term supplier relationship, all suppliers must sign up to this before contracting with LNER. Depending on contract value, complexity and risk, contracts are regularly reviewed for performance and have both a Contract manager from the relevant directorate, as well as a procurement lead assigned to it. NTL are reviewing their current governance processes to ensure a consistent approach with LNER. With LNER trading its first full year under public ownership, they are able to share “best practices” across the Group.

In addition to the commercial aspects, LNER and NTL are also introducing corporate social responsibility measures in tender evaluations, as well as auditing and monitoring suppliers from a ‘Modern Slavery’ perspective. As an organisation that is subject to the Utilities Contract Regulations (UCR), contracts over the relevant threshold are advertised in the Official Journal of the EU (OJEU) or through an UCR compliant framework agreement such as the Crown Commercial services frameworks, and outside of this they uphold the principles of proportionality, transparency and equal treatment to ensure best value is achieved with the most suitable suppliers for any project.

As a minimum level of assurance, we expect our suppliers to ensure they meet the provisions of the Ethical Trading Initiative (ETI) Base Code or similar standards and that they are monitored by independent third parties. We adopt a risk-based approach with our supply base to ensure significant direct labour contracts, such as our catering and cleaning suppliers, pay at least the national (and London) living wage to their employees and supply chain. This is specified in the commercial contract and audited on a regular basis.

Environment

Our Environmental Sustainability Strategies are guided through application of our ISO 14001 and IS0 50001 certified energy and environmental management system, and strengthened through our partnerships with Network Rail, industry groups, station tenants, cleaners, and colleagues. This approach has driven us to increase our recycling segregation, achieve zero waste to landfill for our managed waste and to reduce our passenger km carbon footprint.

Further information relating to the Group’s carbon tCO2e can be found in the Sustainability report, page 17

Technology into UK Rail

The financial year saw the creation of a new Digital and Innovation Directorate at LNER with the objective of designing and developing a transformative digital experience roadmap for customers and employees. This investment will ensure the business is best placed to grow market share from airline and road competition.

Over the year £6.9m of capital was invested on an exciting portfolio of projects to ensure that LNERs digital offers will meet customer and employee expectations both now and in the future. There were 21 projects were successfully delivered across the year with a further 26 in flight going into the next financial year and another 14 in the pipeline. Notable projects include development of a brand new app experience that will enable best in class retail, new real time customer information systems through LNER assistant technology, introduction of digital ticketing which has seen 70% adoption through online channels, machine learning and artificial intelligence (AI), easier Delay Repay, geolocation targeting, and wayfinding.

Technology underpins many of the ambitions in the NTL 100 day plan, including digitally transformed ways of working to enable a smarter and more agile response to customer and employee needs. A priority is to develop improved business insight to promote a better understanding of business operations, the market and overall performance, which will inform the strategic decisions to continue to enhance the customer and colleague experience. The new year sees an even more ambitious roadmap unfolding with a focus on technology that will solve the challenges presented by Covid.

KEY PERFORMANCE INDICATORS

In addition to monitoring financial performance, the Group uses a range of performance indicators (KPIs) for the companies to assess the effectiveness of performance in key activities. It should be noted that DOHL only held NTL for one month in the financial year and this was heavily impacted by Covid The most important of these KPIs focus in the following key areas:

Safety

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

	LNER Avg. 2020 Full Yr	LNER Avg. 2019 24 Jun-31 Mar	**NTL Avg. 2020 1-31 Mar**
Passenger major injuries per 1 million passenger journeys	0.44	0.23	0.00
Workforce lost time accidents per 1,000 employees	1.12	0.23	0.31
Employee physical assaults per 1,000 employees	2.07	1.15	0.79

This year saw 2 RIDDOR recorded customer incidents (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013), (2019: 1 incident). For staff accidents there were 26 RIDDOR reportable employee accidents (2019: 7 incidents), the prior year incidents do not include NTL.

During the reporting year there have been 80 LNER and 5 NTL employees who were physically assaulted. The classification for this differs to those 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 (26% of all physical assaults). A further 15% of the physical assaults related to passengers presenting themselves while the train is in service after being dispatched. Most of the reported physical assaults were minor in nature, but there were 5 that would be considered serious, resulting in the 5 employees taking time off sick. The Group's approach to dealing with this risk is twofold, prevention and prosecution. Prevention through training of staff on conflict resolution, a clear policy on not putting yourself at risk and implementing local initiatives that focus on areas where there is increased risk of conflict. CCTV at stations and on trains are accessible to the British Transport Police (BTP) for the pursuit of evidence in such events. All physical assaults are investigated internally.

The Group continue to have a strong relationship with the Office of Rail and Road (ORR) and the Safety Regulator of Britain's Railways. LNER's 2019/20 Safety & Sustainability plan maintained and further improved the safety and environmental performance delivered in 2018/19, being awarded the Royal Society for the Prevention of Accidents (RoSPA) 'Gold Award' for safety performance improvement.

Employee Engagement

Improving employee engagement has been a significant focus of activity throughout the year with clear action plans created across teams within the business led by our engagement champions. The LNER engagement survey conducted in March 2020 showed overall engagement of 80%, a 4% increase on the 2019 score.

At the transfer of the NTL business, we completed a successful TUPE process, with over 6,000 employees transferring. Engaged employees are critical to our ambitious plans to improve the customers' experience, and NTL's future plans include the monitoring of employee's engagement to allow for targeted investment to deliver tangible improvements which ensure staff have access to the right tools and training to perform their roles to the highest standards.

With actions concentrating on recognition and communications, we are pleased to report significant progress has been seen in this area. Much more activity will be planned in the coming year to drive further improvements. Our plans include targeted investment to achieve tangible improvements that will be key to our ambitious plans to improve customers' experience.

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). Along with other operators , from the start of Control Period 6 (CP6), the Group measures ‘Time-to-3’. Unlike PPM, which measures performance only at destination, this measure records punctuality at all station calls along the route.

	LNER 2020 Full Yr	LNER 2019 Full Yr	**NTL 2020 1-31 Mar**
PPM	78.2%	74.8%	85.1%
Time-to-3	63.2%	n/a	83.3%

LNER PPM increased by 3.4% over the year. Sadly, public fatalities (deliberate suicidal acts) caused the largest impact on our performance. LNER partner with the Campaign Against Living Miserably (CALM), which along with Network Rail’s work with The Samaritans, aims to reduce such events by tackling them at root cause. Our employees, including managers and directors, have attended The Samaritans’ ‘Managing Suicidal Contacts’ courses to raise awareness of vulnerable persons and equip staff with the tools to make successful life-saving interventions.

Through the ‘East Coast Partnership’ between LNER and Network Rail, there is now an appointed single ‘Joint Head of Performance’ spanning both organisations. During 2020, the performance teams will be combined into a single, unified structure, whilst also refocusing their approach and governance to prioritise continuous performance improvement.

Customer Advocacy

The National Rail Passenger Survey (NRPS) is a network wide picture of passengers’ satisfaction with rail travel. The survey is carried out twice a year from a representative sample of journeys. In the Spring 2020 survey, overall satisfaction with journey for LNER and NTL was 91% and 77% respectively. An improvement of 1% and 5% compared to the Autumn 2019 survey (Autumn 2019 survey, NTL was under Arriva trains).

The NRPS results are an influencing factor to the customer experience strategy. Guided by the results as well as undertaking ad hoc research to understand where and how to improve the customer journeys and to create a culture of transparent customer-focussed decision making across the businesses.

FINANCIAL REVIEW

Covid

The Covid crisis struck the rail industry during the last month of this financial year and has had a hugely detrimental impact on passenger volumes and revenues in that month, and subsequently. From a profitability and liquidity point of view however the Group is largely unaffected due to the protections under the Service Agreements between both LNER and NTL with DfT. Under these agreement DfT is taking the revenue and cost risk resulting from Covid and is paid to the LNER and NTL through the franchise subsidy/premium mechanism.

Operating performance

Turnover for the financial year ending 31 March 2020 is £919.5m (2019: £680.8m, forty weeks) which in the main reflects ticket revenue earned from passenger services and associated income earned from catering, car parks, commission and train rental revenue. In line with other Train Operating Companies, the franchise subsidy paid to NTL from DfT, £54.4m is reported under revenue.

The operating expenditure reported in the year was £918.1m (2019: £628.2m), comprising of; access charges payable to Network Rail for stations and depots, rolling stock lease costs, staff costs and other operating costs. Franchise premium payment of £94.1m was paid to the DfT by LNER (2019:£128.4m, forty weeks). During the year an impairment review was carried out on TF19 assets, resulting in an impairment expenses on the Class 365 fleets of £11m reported in operating costs.

The loss before taxation for the year was £7.9m (2019: £53.5m profit).

Statement of financial position
At 31 March 2020 the Group had net assets of £126m (2019: £67.9m).

Statement of cash flows
The Group has generated a net cash inflow of £155.3m (2019: £73.7m) in the year leaving a cash balance of £229.1m at 31 March 2020 (2019: £73.8m).

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:

- That the Company is not sufficiently well equipped to manage any further Franchise Operations should this be required.
- The impact of Covid on;
    - reduced passenger demand for rail and constraints caused by social distancing,
    - viability of the Groups supply chains is threatened,
    - private sector TOCs and open access facing insolvency threats,
    - industry steps to recover out of Covid.
- The threats posed to all organisations through cyber criminality.
- Delivery of timetable changes, due to lack of resource resilience having adverse impact on revenue, operational efficiency and reputation.

The Group is exposed to external and internal risk factors. The business is dependent on passenger numbers which are impacted by Covid recovery but also other external risk factors such as Brexit, regulatory, economic, and competitor activity. Under the terms of the 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 company, and make informed decisions. The Group also has an established Internal Audit programme 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're able to 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 and Accounting Officer
30 July 2020

The Directors present their annual report, business review, the audited consolidated financial statements for the year ended 31 March 2020.

History and background

DOHL ("the Company") is a non-departmental government entity which was incorporated on 30th January 2010 by the Secretary of State for Transport. Its principal activity is the management and support of train companies and rolling stock that are returned to temporary public ownership. At the beginning of 1st March 2020, DOHL had one wholly owned train operating company, London North Eastern Railway Limited.

In August 2019, DfT OLR3 Limited, renamed to Train Fleet Limited 2019 (TF19) purchased a fleet of Class 365 acquired from Eversholt Rail Group. On 1 March 2020, following termination of the Arriva Rail North Limited (ARN) Franchise Agreement, DOHL took over the management and operation of the business, now Northern Trains Limited (NTL).

The Company is wholly owned by the Secretary of State for Transport. In additions to the two wholly owned train operating subsidiaries and train rental company, the Company also owns a number of other companies although none had any significant trading activity.

DOHL, London North Eastern Railway Limited, Northern Trains Limited and Train Fleet (2019) Limited comprise the Group (the "Group").

Principal activities

The principal activity of DOHL is as a Holding Company 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 DfT ownership.

The principal activity of London North Eastern Railway Limited and Northern Trains Limited is the provision of passenger services. Train Fleet (2019) Limited principal activity is the rental of trains, rolling stock.

Results and dividend

The Group's reported financial performance for the year ended 31 March 2020 shows a loss after tax for the financial year of £9m (2019: £41.2m profit).

The Directors do not propose a dividend for the year (2019: £nil). The Company received dividend of £40m from LNER during the year (2019: £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 and Accounting Officer	Robin Gisby	
Executive Finance Director	Richard Harrison	
Non-Executive Directors	David Bennett	
	Tim Buxton	
	Chris Gibb	Appointed 24 March 2020

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 2019 to 31 March 2020 was as follows:

	Attended	Invited
Richard George	13	13
Robin Gisby	13	13
Richard Harrison	13	13
Tim Buxton	13	13
Dave Bennett	11	13
Chris Gibb	1	1

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.

They ensure there is no misuse of information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of 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, and of business appointments. 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 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 further 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.

Employees well being

We want to create an environment where our people are engaged and have the opportunity to reach their full potential and to do this it is important we are aware of and care for our teams' wellbeing, physical and mental health. A key part of this is supporting and engaging colleagues on their physical and mental health, including an in-house team of clinical employees and health and wellbeing specialists. This year LNER signed the Time to Change pledge and to train over 100 employees to be mental health first aiders who support our team members across the business. We also closely measure our employee engagement in order to identify ways to improve, using an annual Speak from the Heart Survey and measuring employee net advocacy.

All our team members have access to an Employee Assistance Programme (EAP) which provides information, advice, training and services to help them deal with events and issues in their work and personal lives, such as legal advice to help with family health issues.

Customer, Stakeholders Business relationships

It is key the principal decisions by the Group enrich our business relationships to create value that drives economic growth and social mobility. To build an effective and collaborative delivery partnerships with key business partners (e.g. NR) and suppliers. To deliver a trusted and reliable service for our customers. The Group keeps the business aligned with customer expectations through several means, from regularly capturing customer and stakeholder insight to having dedicated customer insight teams and community partnerships.

Guided by dedicated customer insight teams and using the latest survey tools, our train companies capture and monitor their Net Advocacy Score. Our insight is used to develop and maintain a culture of continuous improvement addressing and implementing changes that have a positive impact on the customer journey, drive modal shift, convert non-considerers and ensure that the voice of the customer is embedded within and at the heart of every business decision.

With regards to community stakeholders, from political representatives to local authorities and chambers of commerce the Company's train subsidiaries, run a calendar of regular engagement sessions to share plans and understand their priorities. This includes Parliamentary drop-in events, talks at rail user group and business forums, and an annual stakeholder conference, offering all our stakeholders the opportunity to engage with our plans and priorities in detail. LNER work with start-ups and SMEs through their "LNER Future Labs" programme to help solve business challenges.

The Group's relationship with Network Rail continues to strengthen, including the East Coast Partnership which gives LNER the opportunity to align objectives, invest in a new joint performance fund and implementing a partnership approach for upcoming major timetable change for the benefit of customers.

By the end of the first full year completed for LNER under public ownership there is a dedicated team of Regional Commercial, who build business relationships in our key markets and a Brand Partnerships Team. Formal partnerships with a range of big business and community organisations on our route, gives us touch points with those people we want to attract to use rail.

Political donations

There were no political donations made in the year.

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 we can promote sustainable growth without compromising the ability of the 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 requirements of the Group's (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations SI 2018/1155, the performance for LNER from 1 April 2019 to the 31 March 2020 and NTL's for the period 1 March 2020 to the 31 March 2020 is summarised below. 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* 2020**	**Carbon tCO2e 2020**	Total* 2019	Carbon tCO2e 2019
Energy					
Total gas kwh	1				
LNER		**4,117,459**	**855**	3,040,103	637
NTL		**1,351,916**	**249**	-	-
		5,469,375	**1,104**	3,040,103	637
Traction diesel (litres)	1				
LNER		**21,019,909**	**70,977**	23,178,877	83,514
NTL		**3,799,731**	**12,882**	-	-
		24,819,640	**83,859**	23,178,877	83,514
Total non-traction electricity kwh	2				
LNER		**13,167,026**	**4,161**	12,765,740	4,503
NTL		**2,322,081**	**734**	-	-
		15,489,107	**4,895**	12,765,740	4,503
Traction electricity (EC4T) kwh	2				
LNER		**331,512,123**	**104,751**	190,047,773	67,041
NTL		**10,206,794**	**2,941**	-	-
		341,718,917	**107,692**	190,047,773	67,041
Mileage claims personal vehicles (miles)	3				
LNER		**17,940**	**6****	-	-
NTL		**3,439**	**1****	-	-
		21,379	**7****	-	-
Other environmental parameters					
Total water (m3)					
LNER		**108,693**	**n/a**	110,189	n/a
NTL		**26,471**	**n/a**	-	-
		135,164	**n/a**	110,189	n/a
Waste % recycled					
LNER		**51%**	**n/a**	14%	n/a
NTL		**71%**	**n/a**	-	n/a

	Scope	Total* 2020	Carbon tCO2e 2020	Total* 2019	Carbon tCO2e 2019
Intensity ratios					
Carbon emissions per £million turnover					
LNER		**n/a**	**216**	n/a	n/a
NTL		**n/a**	**224**	n/a	n/a

*This data includes estimates,

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

Our subsidiaries 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.

LNER's introduction of the bi-mode Azuma trains (Class 800) and the concurrent phasing out of the HST 125's completed in December 2019, resulted in a decrease in diesel consumption as the bi-mode capability has minimised diesel, running under electric wires.

2019/20 was a positive year for LNER's recycling across the business, the company achieved Valpak externally verified Zero Waste to Landfill for their managed waste in June 2019 and overall average recycling rates improved to 22% compared to the previous year average of 15%, facilitated through; improving bin signage, engagement of front line staff, the introduction of additional waste streams for tenants at selected stations, working with designers and Network Rail to achieve Department for Transport (DfT) approval for coffee cup collection points at LNER's stations and building relationships with external organisations to facilitate a prominent cup recycling scheme once the Covid situation permits. Working as part of the RSSB working group on waste management, we continually ensure we maintain an approach that is consistent with industry.

Going Concern

Whilst the Directors note that since the onset of Covid revenue has declined across the two passenger rail subsidiaries, with restrictions on travel, 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 our subsidiaries, both LNER and NTL have Services Agreement with the DfT where the subsidy / premium payments from / to the DfT reflects the revenue and costs in the business. Under these agreement DfT is taking the revenue and cost risk resulting from Covid.

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. A Funding Deed exists between the Company and Secretary of State whereby a loan facility of £500m has been provided to the Company. The facility term ends six month after all termination of all the Services Agreements which is 2023 (TF19 facility will end six months after the Class 365 units are sold). At the year end the Company has drawn down £172.1m.

The rail industry plays a critical part in the recovery of the country from Covid, economically and socially. Rail workers have been defined as key workers (published by the Government on 19 March 2020) and statements from the Government such as "The continued operation of both passenger and freight transport is critically important to our resilience as a country" on 23 March 2020 and other similar subsequent statements underline the importance of the recovery from Covid pandemic.

Train Fleet (2019) Limited made a £17.8m loss after tax and had net liabilities at 31 March 2020 of £1.7m. TF2019 has options that will allow it to sale the fleet of trains and repay its funding loan, which is not due for repayment until after options are exercised. TF19 also has access to additional financial resources from its parent company if required.

Through the Oversight Committee and other communication, 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.

Directors' statement of disclosure of information to auditor

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act.

The financial statements on pages 28 to 62 were approved by the Board of Directors on 30 July 2020 and signed on its behalf by

Robin Gisby
CEO and Accounting Officer
30 July 2020

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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In additions to company law and IFRSs, the Directors and Accounting officer must adhere to the reporting requirements set out in the Government Financial Reporting Manual 2019-20 (FReM) as issued by HM Treasury, to the extent that the FReM is consistent with the requirements of the Companies Act 2006.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, 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 also 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 and Accounting Officer are responsible for keeping adequate accounting records that are sufficient to show and explain the group 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

The Directors and Accounting Officer consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's position and performance, business model and strategy.

CORPORATE GOVERNANCE

As required by the Government Financial Reporting Manual 2019-20, the Company is required to prepare a governance statement. 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 report describes how the relevant principles and provisions set out in the Corporate Governance in Central Government Departments: Code of Good Practice (Corporate Governance Code) were applied to the Company and Group during the financial year and will continue to be relevant for the forthcoming financial year. The Company and Group have complied with the relevant principles and provisions of the Corporate Governance Code.

The Board of Directors

The Board currently consists of the Non-Executive Chairman, two Executive Directors being the Chief Executive and the Finance Director together with three further Non-Executive Directors during the year and up to the date of signing the financial statements. It 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 2019 to 31 March 2020. Details of the Directors' attendance at each of these meetings can be found in the Directors' report on page 15.

The Directors are satisfied that the current Board has the breadth of business, financial and operational experience necessary to manage effectively an organisation of the size and type of the Company.

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 is 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 also 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 exercising his 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), Dave Bennett, Tim Buxton and Chris Gibb (all non-executive Directors) are members of the Committee, and Robin Gisby (Chief Executive and Accounting Officer) and Richard Harrison (Finance Director) 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 23.

Directors and their Interests

The current Directors of the DOHL Board are listed on page 15. 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' Responsibilities for preparing the financial statements may be found on page 20.

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 2020 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 12 and the Board is satisfied that these are being satisfactorily managed. There have been no ministerial directions given, or any significant lapses of protective security in the year.

REMUNERATION AND STAFF REPORT

The remuneration policies and practices gives due weight to proper management and use and utilisation of public resources, it ensures 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.

Directors

The remuneration related to the financial year 1 March 2019 to 31 March 2020 is as follows. Full year equivalents for the period 24 June 2018 to 31 March 2019 are in brackets:

	Salary/fees	**Pension and other benefits**	**Year ended 31 March 2020**	Period ended 31 March 2019
	£'000	**£'000**	**£'000**	£'000
Robin Gisby	195	-	195	150 (195)
Richard Harrison	175	-	175	135 (175)
Richard George	173	-	173	27
Tim Buxton	129	-	129	13
David Bennett	-	-	-	-
Chris Gibb	7	-	7	-
	679	**-**	**679**	**325**

Employees

A culture of inclusion is important the Group and we continue to work hard to address any discrepancies and ensure we have a diverse workforce reflective of the customers and communities we serve. The Group work to a policy and promote an environment of equal opportunity and one free from discrimination in which no employee receives less favourable treatment. We are committed to; improving gender balance, BAME diversity, ethnicity demographic and reducing gender pay gap within our workforce. We are also committed to the development of our people. Some of the steps towards improving these key areas include;

- Inspiring the next generation by raising awareness of the career opportunities available through our partnerships with schools.
- Attracting talent, using our application tracking system (ATS) to effectively monitor the diversity of candidates at each stage of the application process.
- Developing talent by creating opportunities for new roles and upskilling our existing workforce through our Apprenticeship Programme.
- Working collaboratively with our Inclusion Network and trade union colleagues to make our polices and ways of working more inclusive creating a great place to work.

In March 2020 LNER was accepted on the Education and Skills Funding Council (ESFA) register of approved training providers. This allows LNER to deliver training under apprenticeship standards, providing trainees with a professional qualification.

We continue to strive to build a diverse organisation. Across the Group 78% of roles are occupied by male and 22% by female with LNER winning the highest gender balance workforce award at the annual Women in Rail Awards, (58% male and 42% female) in recognition of our efforts to improve gender balance to date. Within the Company the split between employed males and females are 73% and 27% respectively.

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, the Group provides continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

DOHL's subsidiaries work together to share best practice, knowledge and benefits from the synergies of the Group.

Robin Gisby
CEO and Accounting Officer
30 July 2020

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 2020 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, 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 and company statements of financial position as at 31 March 2020; the consolidated income statement and consolidated statement of other comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2020 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 set out on page 20, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website

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 received 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
31 July 2020

DfT OLR Holdings Limited

Consolidated Income statement

For the year ended 31 March 2020

	Note	**Year ended 31 March 2020**	Year ended 31 March 2019
		£000	£000
Revenue			
Passenger income	2	**799,782**	622,746
Other operating income	2	**119,758**	58,019
Total Revenue		**919,540**	680,765
Other operating costs	3	**(918,062)**	(628,235)
Operating profit		**1,478**	52,530
Finance income	6	**885**	970
Finance and similar charges	6	**(10,296)**	-
(Loss)/Profit before taxation		**(7,933)**	53,500
Tax on (loss)/profit	8	**(1,077)**	(12,274)
(Loss)/Profit for the financial year		**(9,010)**	41,226

The income statement has been prepared on the basis that all operations are continuing operations.

As permitted by Section 408 of the Companies Act 2006, The Company has not presented its own income statement. The loss of the Company for the financial year was £36,236 (2019: loss of £160) before dividends.

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

DfT OLR Holdings Limited

Consolidated Statement of Other Comprehensive Income

For the year ended 31 March 2020

	Note	**Year ended 31 March 2020 £000**	Year ended 31 March 2019 £000
(Loss) for the year		**(9,010)**	41,226
Items that will not be reclassified to profit or (loss):			
Actuarial gain on retirement benefit obligations	22	**24,528**	26
Deferred tax defined benefit pension transferred in	8	**(4,661)**	(4)
Total items that will not be reclassified to profit or (loss)		**19,867**	22
Total comprehensive profit for the year		**10,857**	41,248

DfT OLR Holdings Limited

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	**At 31 March 2020**	At 31 March 2019
		£000	£000
ASSETS			
Non-current assets			
Intangible assets	9	**23,466**	29,071
Tangible assets	10	**636,861**	17,955
Investments	11	**-**	-
Retirement benefit asset (net)	22	**80,737**	28,073
		741,064	75,099
Current assets			
Inventories	12	**8,716**	2,142
Trade and other receivables: amounts due within one year	13	**138,730**	96,334
Cash at bank and in hand		**229,126**	73,802
		376,572	172,278
Total assets		**1,117,636**	247,377
LIABILITIES			
Current liabilities			
Trade and other payables	14	**(670,468)**	(173,109)
Non-current liabilities			
Trade and other payables	14	**(305,229)**	(94)
Provisions for liabilities	15	**(15,982)**	(6,246)
		(321,211)	(6,340)
Total liabilities		**(991,679)**	(179,449)
Net assets		**125,957**	67,928
EQUITY			
Ordinary share capital	17	**-**	-
Capital contribution	18	**73,853**	26,681
Retained earnings		**52,104**	41,247
Total shareholders' funds		**125,957**	67,928

The accompanying notes form an integral part of this statement of financial position. The financial statements on pages 28 to 62 were approved by the board of Directors on 30 July 2020 and were signed on its behalf by:

Robin Gisby

CEO and Accounting Officer

30 July 2020

Registered Office: Albany House 8th Floor, 94-98 Petty France, London, SW1H 9AE

DfT OLR Holdings Limited

Company Statement of Financial Position

As at 31 March 2020

	Note	**At 31 March 2020**	At 31 March 2019
		£000	£000
ASSETS			
Non-current assets			
Tangible assets	10	**13**	17
Investments	11	**85,994**	67,929
		86,007	67,946
Current assets			
Trade and other receivables: amounts due within one year	13	**134,484**	5,291
Cash at bank and in hand		**102,541**	40,443
		237,025	45,734
Total assets		**323,032**	113,680
LIABILITIES			
Current liabilities			
Trade and other payables	14	**(197,075)**	(45,752)
Non-current liabilities			
Provisions for liabilities	15	**-**	-
		-	-
Total liabilities		**(197,075)**	(45,752)
Net assets		**125,957**	67,928
EQUITY			
Ordinary share capital	17	**-**	-
Capital contribution	18	**16,100**	-
Retained earnings		**109,857**	67,928
Total shareholders' funds		**125,957**	67,928

The accompanying notes form an integral part of this statement of financial position. The financial statements on pages 28 to 62 were approved by the board of Directors on 30 July 2020 and were signed on its behalf by:

Richard Harrison
Finance Director
30 July 2020

Registered Office: Albany House 8th Floor, 94-98 Petty France, London, SW1H 9AE
Company registration number: 07141122

DfT OLR Holdings Limited

Consolidated Statement of Cash Flows

As at 31 March 2020

	Note	**Year ended 31 March 2020 £000**	Year ended 31 March 2019 £000
(Loss)/Profit before taxation		**(7,933)**	53,500
Adjustments for:			
Depreciation and amortisation	3	**117,461**	11,653
Loss on sale of fixed assets		**2,087**	893
Pension valuation adjustments		**11,663**	4,775
Impairment on fixed assets	3	**11,865**	-
Finance income	6	**(885)**	(970)
Interest expense (IFRS16)	21	**10,296**	-
Corporation tax paid		**(9,650)**	(4,676)
Interest received		**102**	294
(Increase) in trade and other receivables		**(37,641)**	(96,284)
(Increase) in inventories		**(6,574)**	(2,142)
Increase in trade and other payables		**137,290**	166,101
Capital grants received		**1,629**	99
Cash inflow from operating activities		**229,710**	133,243
Proceeds from the sale of fixed assets		**10**	309
Purchase of fixed assets		**(166,230)**	(59,878)
Cash outflow from investing activities		**(166,220)**	(59,569)
Payment of lease liabilities	21	**(96,272)**	-
Funding loan received by parent		**172,074**	79,933
Funding loan repaid to parent		**(68)**	(79,864)
Grant in aid	18	**16,100**	-
Cash inflow from financing activities		**91,834**	69
Net cash generated from activities		**155,324**	73,743
Net increase in cash and cash equivalents		**155,324**	73,743
Cash and cash equivalents at beginning of year		**73,802**	59
Cash and cash equivalents at end of year		**229,126**	73,802

DfT OLR Holdings Limited
Company Statement of Cash Flows
As at 31 March 2020

	Note	**Year ended 31 March 2020 £000**	Year ended 31 March 2019 £000
Loss before taxation		**(49)**	-
Adjustments for:			
Depreciation and amortisation		**7**	4
Finance income		**(419)**	-
Interest received		**1,473**	-
(Increase) in trade and other receivables		**(12,347)**	(5,172)
Increase in trade and other payables		**20,250**	4,504
Working Capital - subsidiary funding (outflow)/inflow		**(157,765)**	41,000
Cash (outflow)/inflow from operating activities		**(148,850)**	40,336
Dividend received	7	**40,000**	-
Purchase of fixed assets		**(3)**	(21)
Purchase of ordinary shares	18	**(16,100)**	-
Cash inflow/(outflow) from investing activities		**23,897**	(21)
Interest Paid		**(1,055)**	-
Funding loan received by parent		**172,074**	79,933
Funding loan repaid to parent		**(68)**	(79,864)
Grant in aid	18	**16,100**	-
Cash inflow from financing activities		**187,051**	69
Net cash generated from activities		**62,098**	40,384
Net increase in cash and cash equivalents		**62,098**	40,384
Cash and cash equivalents at beginning of year		**40,443**	59
Cash and cash equivalents at end of year		**102,541**	40,443

DfT OLR Holdings Limited

Consolidated Statement of Changes in Equity

As at 31 March 2020

	Ordinary share capital	Capital contribution	Retained earnings	Total shareholder funds
	£000	**£000**	**£000**	**£000**
As at 31 March 2018	**-**	**-**	**(1)**	**(1)**
Profit for the year	-	-	41,226	41,226
Other comprehensive income for the year	-	-	22	22
Total comprehensive profit for the year	-	-	41,248	41,248
Net defined benefit asset transferred in	-	32,146	-	32,146
Deferred tax on defined benefit pension transferred in	-	(5,465)	-	(5,465)
As at 31 March 2019	**-**	**26,681**	**41,247**	**67,928**
Loss for the year	-	-	(9,010)	**(9,010)**
Other comprehensive income for the year	-	-	19,867	**19,867**
Total comprehensive profit for the year	**-**	**-**	**10,857**	**10,857**
Grant in aid (note: 18)	-	16,100	**-**	**16,100**
Net defined benefit asset transferred in (note: 22)	-	39,154	-	**39,154**
Deferred tax on defined benefit pension transferred in	-	(8,082)	-	**(8,082)**
As at 31 March 2020	**-**	**73,853**	**52,104**	**125,957**

Company Statement of Changes in Equity

As at 31 March 2020

	Ordinary share capital	Capital Contribution	Retained earnings	Total shareholder funds
	£000	£000	£000	£000
As at 31 March 2018	**-**	**-**	**(1)**	**(1)**
Result for the year	-	-	-	-
Other comprehensive income for the year	-	-	67,929	67,929
Total comprehensive income for the year	-	-	67,929	67,929
As at 31 March 2019	**-**	**-**	**67,928**	**67,928**
Loss for the year	-	**-**	(36)	**(36)**
Other comprehensive income for the year	-	**-**	41,965	**41,965**
Total comprehensive profit for the year	**-**	**-**	**41,929**	**41,929**
Grant in aid (note: 18)	-	16,100	**-**	**16,100**
As at 31 March 2020	**-**	**16,100**	**109,857**	**125,957**

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 shown on page 3 and a description of the Company's principal activities are set out on page 14.

The principal accounting policies are set out below.

a) Basis of Preparation
The financial statements have been prepared on a going concern basis, as explained in the Directors report.

These financial statements have been prepared in accordance with applicable IFRS, as adopted by the European Union, the Companies Act 2006 and the Government Financial Reporting Manual 2019-20 (FReM). The Company has adopted and interpreted the FReM, as issued by HM Treasury, to the extent that the FReM is consistent 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 for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Company are described below. They have been applied consistently to items that are considered material to the accounts. 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 profit and loss account.

b) Business Combinations
During the Financial year 2019-2020 DfT OLR Holdings gain two additional subsidiaries Train Fleet (2019) Limited on 13 August 2019 and Northern Trains Limited on 1 March 2020 in addition to London North Eastern Railway (LNER). All three entities are wholly owned by DfT OLR Holding limited (parent) and together the four entities as well as other non-material entities comprises the "Group". The consolidated accounts are prepared using the business combinations, purchase method. Measuring the aggregated costs and allocations of the Group assets, liabilities are based on their aggregated fair values.

c) Revenue

i) Passenger Rail Services

Passenger income represents amounts agreed as attributed to London North Eastern Railway (LNER) and Northern Trains Limited (NTL) 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. The attributed share of season ticket income can involve some estimation for example revenue is deferred within creditors, and released to the income statement over the year of the relevant season ticket.

Tickets to travel on a train operating company's services 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 Railway Settlement Plan Limited. RSP administers the income allocation system within the UK rail industry and allocates revenue to operators principally on agreed models of route usage.

1 Accounting policies (continued)

c) Revenue (continued)

Procedures exist to allow operators to challenge the appropriateness of revenue allocation where the revenue allocated to LNER and NTL is subsequently adjusted, the effect of the adjustment is recognised in the income statement in the period in which we are made aware of it. Where an adjustment results in additional revenue being attributed to LNER and NTL, the additional revenue is recognised when the amount of revenue can be reliably estimated and it is highly probable that the economic benefits will flow to LNER or NTL.

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 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.

Other operating income is generated in the course of the Company's 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. 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.

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) Train Rental

Revenue recognised from the rental income received from the operating leasing of the Train Fleet (2019) Limited's fleet of trains is credited to the income statement on a straight-line basis over the period of the lease.

d) Performance incentive payments

Performance incentive payments received from or made to Network Rail by the rail subsidiaries in respect of rail operational performance are recognised in the same period that the performance relates to and are classified as operating costs.
Accrued income is generated from performance payments made to LNER and NTL by Network Rail which is then settled in a future period. The income is generated when Network Rail take possession of the track to do maintenance work or due to on the day disruption caused by an entity other than LNER or NTL.

e) Fixed service payments

Where a Service Agreement is in place with the Department for Transport (DfT), 'Fixed service payments' are either received from or made to the DfT and are recognised on an accrual basis. Where a Franchise subsidy is stated in the Service Agreement from the DfT, income is recognised in revenue. Franchise premium payments are recognised as a cost in the business. In line with their Service Agreement, LNER generally makes Franchise premium payments to the Dft, while NTL receives a Franchise subsidy.

f) Taxation

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

1 Accounting policies (continued)

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.

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) Tangible assets

i) Passenger Rail Services and DOHL

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 land and buildings	3 - 10 years or lease term
Plant and equipment	3 - 10 years or lease term

ii) Train Rental

Tangible assets are shown at their historic cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on a straight-line basis to write off the cost or valuation less estimated residual value of fixed assets over their expected useful economic lives as follows:

Plant and equipment	1 - 25 years or expected useful life where known

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. During the year an impairment review was carried out on TF19's assets, resulting in an impairment expenses on the Class 365 fleets of £11m reported in operating costs.

As part of their net assets/liabilities, subsidiaries tangible assets are recognised under investments in the Company's statement of financial position. Net assets/liabilities are measured at fair value.

i) Intangible assets

Intangible assets across the Group are shown at their original historic cost net of amortisation and any provision for impairment, which is based on the lower of depreciated replacement cost and value in use. Where there is no value in use, the asset is valued using depreciated replacement cost. Cost includes the original purchase price of the assets and costs attributable to bringing the asset to its working condition for its intended use.

1 Accounting policies (continued)

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.

Amortisation of intangible assets is calculated on the straight-line method to write-off the cost of each asset over the expected life of the service agreement.

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.

The Company does not hold any intangible assets. As part of their net assets/liabilities, subsidiaries intangible assets are recognised under investments in the Company's statement of financial position.

j) Right of use assets

Right of use assets comprise rolling stock, offices and other property leases plus depot equipment. At the lease commencement the Company 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 Company's current service agreement with the DfT. They are presented as part of tangible assets in note 10. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

Corresponding lease liabilities are presented and accounted for as current and non-current liabilities in note 21. After the commencement date the Group measures its right of use liabilities by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect new measurements or changes in the lease.

k) 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, provision is made for obsolete, slow moving and defective inventory.

1 Accounting policies (continued)

l) 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 to depreciation. Deferred capital grant income is presented and accounted for within current and non-current liabilities.

m) Retirement benefit obligations

DOHL does not contribute to a defined benefit pension scheme. Employees are auto enrolled into a 'NEST' workplace pension 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.

LNER and NTL contributes to a defined benefit pension scheme within the Railway Pension Scheme (RPS) on behalf of the majority of their employees. Full details are provided in note 22.

Both LNER and NTL are responsible for the relevant funding of their section of the RPS during the period of the service agreement. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee.

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 current service cost and gains and losses on settlements and curtailments are recognised in staff pension costs within operating costs in the 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 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.

n) Accounting for participation in Railways pension scheme

As disclosed in note 22, both LNER and NTL apply a “current service period adjustment” to the amounts recorded in the Statement of Financial Position for the RPS. This represents 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 can give 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 is 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 will be no pension asset (or liability) remaining. This judgement is consistent with the industry wide accounting treatment for the RPS that was agreed on adoption of IFRS in 2005.

The Group has no legal or constructive obligation to pay further contributions into a defined contribution scheme if the fund has insufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

1 Accounting policies (continued)

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

The pension scheme asset calculated at the transfer date of LNER and NTL is shown as a capital contribution directly from Virgin Trains East Coast Limited (for LNER) and Arriva Rail North Limited (for NTL) in the Consolidated Statement of Changes in Equity on page 34 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 has therefore been accounted for as a capital contribution in equity

o) 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 are based on expected costs of restoring the leased assets to the required state before being returned to the lessor.

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.

p) Investments
Fixed asset investments are carried in the Statement of Financial Position at fair value. All the fixed assets investments are subject to an impairment review at any time if events or changes in circumstances indicate that their carrying value may not be recoverable.

r) 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.

s) Derivative financial instruments and hedging
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

1 Accounting policies (continued)

Any gains or losses arising from revaluing derivatives designated as cash flow hedges are recognised through the statement of comprehensive income or the income statement depending on the effectiveness. The effective portion of the gain or loss is recognised through the statement of comprehensive income while the ineffective portion is recognised in the income statement.

t) Critical estimates and judgements
Preparation of the financial statements, in accordance with Financial Reporting Standards and the FReM, 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.

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 LNER's and NTL's pension benefit obligation and expense for defined benefit pension schemes 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 we believe that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the pension obligation and future expense.

The pension assumptions may vary due to actual changes in market conditions following the Statement of Financial Position date but IAS 19 requires the assumptions to be set based on the market conditions prevailing at the Statement of Financial Position date. The pension assumptions are also affected by judgements 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 22 provides information on the sensitivity of pension benefit obligations to changes in assumptions.

ii. LNER service agreement term assumption - estimate
An assumption of a 3 year service agreement was used in the prior year financial statements and during the year to March 2020. This was based on the service agreement (which initially ran to 27 June 2020) of 2 years with an additional year for the tendering process required to award a new service agreement. This assumption has been updated at the year end to include a further direct award from 27 June 2020 until 24 June 2023. This judgement affects these financial statements in respect of pension accounting, mobilisation amortisation and reporting for leases under IFRS16.

iii. NTL service agreement term assumption - estimate
An assumption of a 2 year Services Agreement has been used in these financial statements. This is based on the current Services Agreement (which runs to 1 March 2022).This affects these financial statements in respect of mobilisation costs capitalisation and amortisation, pension accounting, operating leases and reporting for leases under IFRS 16.

1 Accounting policies (continued)

iv. Accounting for subsidiaries investment - judgement

The investments in LNER, NTL and TF19 has been accounted for at fair value based on the net asset position at 31 March 2020. DOHL believes the assets it has acquired cannot independently generate cash flows and therefore using net assets as the fair value is considered the most appropriate method.

v. Accounting for transfer of assets - judgement

The transfer of assets and liabilities from Arriva Rail North Limited to NTL on 1 March 2020 has been accounted for as an asset acquisition. The assets acquired do not constitute a business, as they do not represent an "integrated set of activities" as required to be defined as a business. This is due to reliance on other assets in the rail network, not owned by NTL, that are required in order for the assets acquired to operate fully, and to generate cash flows.

vi. Measurement of lease liabilities and right of use assets – judgement & estimate

The application of IFRS 16 requires the Group entities to make judgements that affect the measurement of right of use assets and lease liabilities (note 21). These include assessing whether a contract includes a lease, determining variable lease components, contract term and appropriate discount rate used to measure lease liabilities.

Items outside the scope of IFRS 16 include contracts with Network Rail for access to the railway (track access) infrastructure and access charges for stations, short term leases which include rolling stock handed back during the year, low value leases and maintenance and variable lease components for rolling stock retained during the year.

u) Accounting standards adopted in the year

IFRS 16 'Lease Contracts'

IFRS 16 eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. Lease contracts are now recognised in right of use assets and in lease liabilities representing the discounted value of future payments.

Leases within the scope of application of IFRS 16 for the Company comprise rolling stock, offices and other property leases plus depot equipment.

Right of use assets of £489m and lease liabilities of £493m were recognised as at 31 March 2020. The Company transitioned to IFRS 16 in accordance with the simplified approach defined in IFRS 16.

On transition the right of use asset costs were measured as the amount of the lease liability, adjusted by payments in advance, incentives received and where applicable repair costs. Lease costs of low value assets and short-term leases (less than 12 months) are recognised directly in expenses. As part of the initial application of IFRS 16 the Company chose to apply the accounting for short-term leases in IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application.

The reassessment of LNER's service period from June 2020 to June 2023 led to a remeasurement of the right of use assets and liabilities during the year.

For operating lease commitments at 31 March 2020 which are not within scope of IFRS 16, disclosed has been made under IAS 17. These include contracts with Network Rail for access to the railway infrastructure and access charges for stations. The commitments also included ticket barriers now classified as short term leases and IT equipment now classified as low value leases and amounts for rolling stock include maintenance components of the leases.

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 operating income as disclosed in the income statement. Revenue during the year to 31 March 2020 includes eight rail periods from Train Fleet (2019) Limited (traded from 13 August 2019) and one rail period on Northern Trains Limited (traded from 1 March 2020).

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

	Year ended 31 March 2020	Year ended 31 March 2019
	£000	£000
Passenger revenue	**821,630**	636,586
Delay Repay	**(21,848)**	(13,840)
Passenger income	**799,782**	622,746
Other operating income	**119,758**	58,019
Total revenue	**919,540**	680,765

Other operating income comprises of car park income, commercial property income, railway station access income, maintenance income, fuel sales, on board catering income, commissions receivable and a 'Fixed service payment' received from the Department of Transport (DfT), £54.4m (2019:£nil).

3 Operating profit

	Year ended 31 March 2020	Year ended 31 March 2019
Operating profit is stated after charging/(crediting):	**£000**	£000
Franchise premium	**94,137**	128,368
Staff Costs (note 5)	**203,580**	133,088
Depreciation (note 10)	**103,079**	3,313
Amortisation of intangible assets (note 9)	**14,382**	8,340
Inventories recognised as expenses	**12,811**	19,351
Operating lease rentals		
- Fixed track access	**59,246**	45,133
- Land and buildings	**-**	3,591
- Rolling stock costs	**120,291**	63,495
- Plant and machinery	**221**	1,178
- Other	**6,458**	4,704
Other Fixed and Variable Access Charges	**40,827**	49,826
Auditors' remuneration – audit fees DOHL	**22**	8
Auditors' remuneration – audit fees	**233**	89
Auditors' remuneration – non audit services		
- other compliance reporting	**133**	19
PPE Impairment expense (note 10)	**11,865**	-

4 Directors' remuneration

	Year ended 31 March 2020	Year ended 31 March 2019
	£000	£000
Emoluments in respect of qualifying services to the Company	**679**	325

The emoluments of the highest paid Director were £195,000, relating to the year (2019:£150,000 for the forty week period of trading, annual equivalent £195,000). There was no pension contribution (2019: £nil).

5 Staff costs

	Year ended 31 March 2020	Year ended 31 March 2019
	£000	£000
Wages and salaries	**162,035**	107,639
Social security costs	**15,588**	10,066
Other pension costs	**25,957**	15,383
	203,580	133,088

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

	Year ended 31 March 2020	Year ended 31 March 2019
Managerial and administrative	**989**	504
Operational	**8,417**	2,531
	9,406	3,035

6 Finance income and charges

	Year ended 31 March 2020	Year ended 31 March 2019
	£000	£000
Finance income		
Bank interest	**102**	294
Pension interest	**783**	676
Total finance income	**885**	970
Finance charges		
Interest on lease liabilities (IFRS 16)	**(10,296)**	-
Total finance charges	**(10,296)**	-

7 Dividend

A dividend payment of £40m was received by DOHL from LNER during the financial year 2019-2020 for financial year 2018-2019.

8 Tax on profit

a) Tax recognised in the income statement

	Year ended 31 March 2020	Year ended 31 March 2019
	£000	£000
Current taxation:		
Current tax on (loss)/profits for the year	**5,972**	11,734
Adjustment in respect of prior years	**(1,454)**	-
	4,518	11,734
Deferred tax:		
Current year	**(3,309)**	604
Effect of changes in tax rates	**64**	(64)
Adjustment in respect of prior years	**(196)**	-
Total deferred tax	**(3,441)**	540
Total tax charge reported in the income statement	**1,077**	12,274

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

	Year ended 31 March 2020	Year ended 31 March 2019
	£000	£000
Equity items:		
Deferred tax current year charge/(credit) *	**8,082**	**5,465**
Other comprehensive income items:		
Deferred tax current year charge/(credit)	**4,661**	**4**
Tax reported outside of the income statement	**12,743**	**5,469**

* This charge brings the deferred tax provision onto the Statement of Financial Position as part of the transfer of the pension scheme onto NTL's Statement of Financial Position.

c) Factors affecting total tax charge for the current period

The tax assessed for the year is higher than the standard effective rate of corporation tax in the UK of 19% (2019: 19%). The current tax charge is made up as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
	£000	£000
(Loss)/Profit before taxation	**(7,933)**	53,500
(Loss)/Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	**(1,507)**	10,165
Fixed asset differences	**353**	-
Expenses not deductible	**674**	355
Tax rate changes	**64**	(64)
Trade transfer	**-**	2,597
Exempt amounts	**-**	(779)
Deferred tax not recognised	**3,143**	-
Adjustment in respect of prior period – current tax	**(1,454)**	-
Adjustment in respect of prior period – deferred tax	**(196)**	-
Total tax charge for the year reported in the income statement	**1,077**	12,274

9 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**	**Total**
	£000	**£000**	**£000**
Cost			
At beginning of year	27,776	9,474	**37,250**
Additions	8,771	71	**8,842**
Disposals	(301)	-	**(301)**
At end of year	**36,246**	**9,545**	**45,791**
Accumulated amortisation			
At beginning of year	5,748	2,431	**8,179**
Amortisation charged to the income statement	7,339	7,043	**14,382**
Disposals	(236)	-	**(236)**
At end of year	**12,851**	**9,474**	**22,325**
Net book value			
At beginning of year	22,028	7,043	**29,071**
At end of year	**23,395**	**71**	**23,466**

10 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	Total
	£000	£000	£000	£000
Cost				
At beginning of year	6,650	14,393	-	**21,043**
Initial adoption of IFRS 16	-	-	217,488	**217,488**
Remeasurement IFRS 16	-	-	361,005	**361,005**
Additions	2,473	154,915	-	**157,388**
Disposals	-	(3,118)	-	**(3,118)**
At end of year	**9,123**	**166,190**	**578,493**	**753,806**
Accumulated depreciation				
At beginning of year	447	2,641	-	**3,088**
Depreciation charged to the income statement	663	13,758	88,658	**103,079**
Impairment	-	11,034	831	**11,865**
Disposals	-	(1,087)	-	**(1,087)**
	1,110	**26,346**	**89,489**	**116,945**
Net book value				
At beginning of year	6,203	11,752	-	**17,955**
At end of year	**8,013**	**139,844**	**489,004**	**636,861**

During the year the Group acquired a fleet of Class 365 units for £123m through its subsidiary Train Fleet (2019) Limited and tangible assets of £15.4m through Northern Trains Limited as part of a transfer agreement with Arriva Rail North Limited.

Under IFRS16, Right of Use costs totalled £578.5m, of which £560.7m related to rolling stock leases (note 21). The Company had no Right of Use assets.

The Company's reported additional plant and equipment costs of £3k in the year bringing total costs at 31 March 2020 of £24k, a net book value of £13k.

11 Investments

The Group held the following unlisted investments at 31 March 2020:

Name of company	Country of registration	Class of share	No. of shares held 31 Mar 2019	Additions	31 Mar 2020	Proportion held
ATOC Limited	UK	Ordinary (4p)	1	1	2	10%
Rail Settlement Plan Limited	UK	Ordinary (4p)	1	1	2	10%
Rail Staff Travel Limited	UK	Ordinary (4p)	1	1	2	10%
NRES Limited	UK	Ordinary (£1)	1	1	2	10%

The principal activity of the above companies is to provide a range of services to all UK passenger rail operators, each of which has an equal share in the companies. During the year the proportion held across the companies doubled due to Northern Railway Limited franchise. The investments are held at fair value.

The Group holds an investment of 25.1% 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.

Details of investments in the Company's subsidiaries as at 31 March 2020 are as follows:

Name of company	Country of registration	No. of shares held	Class of share	Proportion held	Company 2020	Company 2019
					£'000	£'000
London North Eastern Railway Limited	UK	1	Ordinary (£1)	100%	52,300	67,929
SE Trains Limited	UK	1	Ordinary (£1)	100%	(8)	-
Train Fleet (2019)	UK	16,100,100	Ordinary (£1)	100%	(826)	-
Northern Trains Limited*	UK	1	Ordinary (£1)	100%	34,528	-
DfT OLR4 Limited**	UK	1	Ordinary (£1)	100%	-	-
DfT OLR5 Limited**	UK	1	Ordinary (£1)	100%	-	-
DfT OLR6 Limited**	UK	1	Ordinary (£1)	100%	-	-
DfT OLR7 Limited**	UK	1	Ordinary (£1)	100%	-	-
Total Investments					**85,994**	67,929

The subsidiary investments in the Statement of Financial Position are stated at fair value.
*DfT OLR3 Limited has been renamed Northern Trains Limited on 30 January 2020.
** Combined investment for DfT OLR 4 to 7, less than £1.5k

12 Inventories

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Raw materials and consumables	**8,716**	2,142	**-**	-

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 £12.8m (2019: £19.4m).

13 Trade and other receivables

	Group		Company	
	2020	2019	**2020**	2019
Amounts falling due within one year:	**£000**	£000	**£000**	£000
Trade receivables				
Rail Settlement Plan	**14,395**	34,779	**-**	-
Other trade receivables	**15,057**	11,401	**190**	69
	29,452	46,180	**190**	69
Amounts owed by group undertakings	**4,383**	-	**117,629**	5,143
Group relief	**-**	-	**7**	-
Value Added Tax receivable	**21,661**	8,643	**16,623**	-
Prepayments	**52,148**	28,673	**18**	1
Accrued income	**25,448**	12,838	**0**	78
Other receivables	**5,638**	-	**17**	-
	138,730	96,334	**134,484**	5,291

Amounts due from group undertakings are unsecured and repayable on demand.

14 Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Trade payables	**143,424**	50,666	**23**	17
Amounts owed to group undertakings	**172,074**	-	**196,562**	41,079
Deferred season ticket income	**10,170**	5,001	**-**	-
VAT payable	**790**	852	**-**	852
Other taxation and social security	**10,874**	3,080	**23**	20

14 Trade and other payables continued	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Other payables	**11,242**	6,422	**7**	37
Accruals	**114,646**	69,086	**459**	3,741
Deferred income	**6,181**	30,404	**-**	-
Corporation tax payable	**2,466**	7,598	**1**	6
IFRS 16 Lease Liability	**198,601**	-	**-**	-
	670,468	173,109	**197,075**	45,752
Accruals and deferred income	**11,123**	94	-	-
IFRS 16 Lease Liability	**294,106**	-	-	-
	305,229	94	-	-

Amounts owed to group undertakings within one year and are repayable on demand and interest free.

15 Provisions

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Insurance claims (a)	**671**	237	**-**	-
Deferred tax (note 14)	**15,311**	6,009	**-**	-
	15,982	6,246	**-**	-

a) Insurance claims

	Group		Company	
	2020	**2019**	**2020**	2019
	£000	£000	**£000**	£000
At start of year	**237**	-	**-**	-
Charged to the income statement	**550**	254	**-**	-
Unused amounts reversed	**(107)**	-	**-**	-
Utilised in year	**(9)**	(17)	**-**	-
Provision at end of year	**671**	237	**-**	-

The £0.7m (2019: £0.2) 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.

16 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**
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Fixed assets	**(25)**	-	**(1)**	-
Short-term provision	**(4)**	-	**-**	-
Deferred tax asset	**(29)**	-	**(1)**	-

Deferred tax liabilities:	**Group**			**Company**
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Fixed assets	**-**	1,237	**-**	-
Defined benefit pension	**15,340**	4,772	**-**	-
Deferred tax Liabilities	**15,340**	6,009	**-**	-
Net Deferred tax (Asset)/ Liability	**15,311**	6,009	**(1)**	-

The movement in deferred tax during the year was:

	Group			**Company**
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
At beginning of year	**6,009**	-	**-**	-
Charge to income statement	**(3,245)**	540	**(1)**	-
Prior charge to income statement	**(196)**			
Charge to equity (note 8b) *	**8,082**	5,465	**-**	-
Charge to OCI (note 8b) *	**4,661**	4	**-**	-
Deferred tax provision	**15,311**	6,009	**(1)**	-

* The charge to equity and OCI brings the deferred tax provision onto the Statement of Financial Position as part of the transfer of LNER and NTL's pension scheme.

17 Called up share capital

	Group and Company	Group and Company
	2020	2019
	£	£
Issued share capital unpaid		
Ordinary shares of £1 each	**1**	1

18 Reserves

A reconciliation of the movements in reserves is shown in the Consolidated Statement of Changes in Equity on page 34 and (the Company on page 35). The balance held in the retained earnings reserve includes the accumulated retained profits of the Group.

The capital contribution include both LNER's and NTL's defined benefit pension asset at the start of ownership and associated deferred tax. It also includes £16.1m of Grant in aid from the DfT to DOHL used acquire £16.1m of TF19 share capital (note: 11). This was primarily relating to the reduction of TF19's loan, used to purchase the 40 Class 365 units on 13 August 2019.

19 Capital commitments

	Group		**Company**	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Contracted	**22,997**	6,649	**-**	-
Authorised but not contracted	**22,410**	19,660	**-**	-

Capital commitments relate to capital projects that the Group is committed to or has approved but not yet contracted as at 31 March 2020, the cost to be incurred over the remaining capital project timeline and include ongoing transformation programmes, specifically station improvements, depot improvements, gauging, ticket vending machines and facility upgrade projects.

20 Transfer Agreements

Where there has been a purchase and transfer of ownership by means of a business transfer agreements, the assets and liabilities are measured and recognised in the entities at fair value by the financial year end date.

a) Transfer of Arriva Rail North Limited (ARN) assets and liabilities to NTL

On 1 March 2020, Arriva Rail North Limited ceased operations and Northern Trains Limited began operating under a Services Agreement with the Department for Transport. The franchise assets and liabilities were transferred. The net consideration received by NTL was £11.1m. The book values of the assets and liabilities were taken from the management accounts of Arriva Rail North Limited at the date of transfer, with certain assets and liabilities that are excluded from the franchise transfer agreement not taken into account. The fair values of these assets are assessed at the end of the financial year end.

Transfer of Arriva Rail North Limited (ARN) assets and liabilities to NTL

	Transfer value £000
Tangible Fixed assets	15,384
Intangible Fixed assets	342
Inventories	5,587
Prepayments	2,076
Accrued income	2,385
Other receivables	1,261
Cash in hand	294
Other payables	(1,091)
Accruals	(23,960)
Deferred income	(5,263)
Deferred season income	(8,147)
Net liabilities	**(11,132)**
Consideration included in Other receivables at 31 March 2020	11,132
Total cash settlement during the year	-

The pension scheme asset calculated at the transfer date was not part of the transfer scheme with Northern Trains Limited (page 34).

21 Lease liabilities

	Rolling Stock	Land & Buildings	Plant & Machinery	Total
	£000	£000	£000	£000
Lease liabilities				
Initial adoption of IFRS 16 1 April 2019	59,723	9,185	546	**69,454**
New Leases	148,722	-	-	**148,722**
Remeasurement	351,821	7,968	719	**360,508**
Interest	9,917	360	19	**10,296**
Repayment of lease liabilities	(93,258)	(2,817)	(197)	**(96,272)**
Balance at 31 March 2020	476,925	14,696	1,087	**492,708**
Current lease liabilities	191,094	7,010	498	**198,602**
Non-current lease liabilities	285,831	7,686	589	**294,106**
Total lease liabilities	476,925	14,696	1,087	**492,708**
Right of use assets				
Initial adoption of IFRS 16 1 April 2019	59,723	8,498	545	**68,766**
Additions	148,722	-	-	**148,722**
Remeasurement	352,270	8,016	719	**361,005**
Impairment	(831)	-	-	**(831)**
Depreciation for the year	(84,581)	(3,823)	(254)	**(88,658)**
Balance at 31 March 2020	475,303	12,691	1,010	**489,004**
Lease amounts recognised in operating costs:				
Leases of low value assets	-	-	167	**167**
Short term leases	20,623	-	54	**20,677**
Variable lease components	99,668	-	-	**99,668**
Track and Station access costs	-	59,317	-	**59,317**
Income from subleasing right of use assets	-	(71)	-	**(71)**
Total	**120,291**	**59,246**	**221**	**179,758**

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 both LNER and NTL. The Azuma lease continues until 2046 while NTL includes rolling stock leases which continue until 2025. The term for the Company's service period has been used to measure the liabilities, being the period of use of the right of use assets. Maintenance and variable components of the lease are shown in operating costs.
Part of the legacy fleet was handed back during the year. The lease costs for legacy fleet handed back and the non-capital element of rolling stock leases are shown in operating costs under short term leases.

22 Retirement benefit obligations

Information about the Scheme and the Group's accounting policies

The Company's subsidiary, LNER and NTL 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 Section is a shared cost arrangement whereby the subsidiaries are only responsible for a share of the cost. The figures reported below therefore represent only the company's 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. 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 2020 are;

Section Pay	LNER	NTL
Category 60 Members	11.58%	13.8%
Category 62 Members	10.08%	12.2%
Category 64 Members	9.54%	n/a

The discounted mean term of the Section's DBO was 23 years and 24 years for LNER and NTL respectively at the end of the reporting period.

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:

- 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. This should be noted in the context of the impact of Covid at 31 March 2020.
- 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.
- Contribution rate: The Scheme Rules give the Scheme Actuary the power to set the contribution rates for LNER and NTL if no agreement can be reached between the Trustee and the company.

22 Retirement benefit obligations (continued)

Membership data:

	LNER	**NTL**	LNER	NTL
	2020	**2020**	2019	2019
Active members	**2,996**	**6,188**	2,842	-
Deferred members	**3,922**	**3,140**	3,855	-
Pensioner members (including dependants)	**1,999**	**3,308**	1,955	-

Asset Data:

	LNER	**NTL**	**Total**
At March 2020	**£000**	**£000**	**£000**
Growth assets	**512,088**	**1,001,232**	**1,513,320**
Government bonds	**16,822**	**-**	**16,822**
Non-Government bonds	**39,251**	**-**	**39,251**
Other assets	**2,373**	**16,362**	**18,735**
Total asset value	**570,534**	**1,017,594**	**1,588,128**

	LNER	NTL	Total
At March 2019	£000	£000*	£000
Growth assets	542,155	-	542,155
Government bonds	12,477	-	12,477
Non-Government bonds	29,113	-	29,113
Other assets	1,181	-	1,181
Total asset value	584,926	-	584,926

*NTL started trading on 01 March 2020, Total asset value at 01 March 2020 was £1,075,970.

22 Retirement benefit obligations (continued)

Summary of assumptions:	**LNER**	**NTL**	LNER	NTL
	31 March 2020	**31 March 2020**	31 March 2019	01 March 2020
	% pa	**% pa**	% pa	% pa
Discount rate	**2.20**	**2.20**	2.35	1.60
Future price inflation (RPI measure)	**2.50**	**2.50**	3.20	2.80
Future price inflation (CPI measure)	**1.80**	**1.80**	2.20	2.10
Pension increases (CPI measure)	**1.80**	**1.80**	2.20	2.10
Pensionable Salary increases	**2.50**	**2.50**	3.20	2.80

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

	LNER	**NTL**	LNER	NTL
	31 March 2020	**31 March 2020**	31 March 2019	01 March 2020
Male currently aged 65	**20.8**	**20.9**	20.9	20.9
Male currently aged 45	**22.2**	**22.3**	22.6	22.3
Female currently aged 65	**22.3**	**22.8**	22.4	22.8
Female currently aged 45	**24.0**	**24.4**	24.3	24.4

Defined benefit asset at end of year:

	LNER	**NTL**	**Total**
At 31 March 2020	**£000**	**£000**	**£000**
Defined benefit obligation at end of year			
Active members	**(443,532)**	**(1,057,910)**	**(1,501,442)**
Deferred members	**(196,591)**	**(173,435)**	**(370,026)**
Pensioner members (incl. dependants)	**(219,777)**	**(269,604)**	**(489,381)**
Total defined benefit obligation	**(859,900)**	**(1,500,949)**	**(2,360,849)**
Fair value of assets at end of year	**570,534**	**1,017,594**	**1,588,128**
Adjustment for the members' share of deficit	**115,746**	**193,342**	**309,088**
Deficit expected to be recovered after end of current service period (Franchise adjustment)	**214,924**	**329,446**	**544,370**
Net defined benefit asset at end of the year 31 March 2020	**41,304**	**39,433**	**80,737**

22 Retirement benefit obligations (continued)

	LNER	NTL	Total
At 31 March 2019	**£000**	**£000**	**£000**
Defined benefit obligation at end of year			
Active members	(465,305)	-	(465,305)
Deferred members	(211,526)	-	(211,526)
Pensioner members (incl. dependants)	(233,627)	-	(233,627)
Total defined benefit obligation	(910,458)	-	(910,458)
Fair value of assets at end of year	584,926	-	584,926
Adjustment for the members' share of deficit	130,213	-	130,213
Deficit expected to be recovered after end of current service period	223,392	-	223,392
Net defined benefit asset at end of the year 31 March 2019	28,073	-	28,073

*NTL started trading on 01 March 2020, their Net defined benefit asset at 01 March 2020 was £39,153.

Reconciliation of net defined benefit asset:

At March 2020	**LNER**	**NTL**	**Total**
	£000	**£000**	**£000**
Opening net defined benefit asset	**28,073**	**-**	**28,073**
Transferred net defined benefit asset	**-**	**39,153**	**39,153**
Employer's share of P&L expense	**(16,609)**	**(4,028)**	**(20,637)**
Employers contributions	**8,050**	**1,570**	**9,620**
Total gain recognised in OCI	**21,790**	**2,738**	**24,528**
Closing net defined benefit asset	**41,304**	**39,433**	**80,737**

22 Retirement benefit obligations (continued)

Profit & Loss (P&L) at 31 March 2020:

	LNER	NTL	Total
	£000	£000	£000
Employer's share of service costs	(20,026)	(4,050)	(24,076)
Employer's share of administration cost	(1,830)	(31)	(1,861)
Past service cost adjustment	4,517	-	4,517
Total employer's share of service cost	(17,339)	(4,081)	(21,420)
Employer's share of net interest on net defined benefit asset	(4,520)	(614)	(5,134)
Interest on current service period adjustment	5,250	667	5,917
Employer's share of P&L expense	(16,609)	(4,028)	(20,637)

Other comprehensive income (OCI) at March 2020:

	LNER	NTL	Total
	£000	£000	£000
Gain/(Loss) due to liability experience	(630)	209,999	209,369
Gain/(Loss) due to liability assumption changes	39,404	-	39,404
Return on plan assets greater/(less) than discount rate	(3,266)	(35,818)	(39,084)
Gain/(Loss) on change in franchise adjustment	(13,718)	(171,443)	(185,161)
Total gain recognised in the OCI	21,790	2,738	24,528

Reconciliation of defined benefit obligation (DBO) at 31 March 2020:

	LNER	NTL	Total
	£000	£000	£000
Opening defined benefit obligation	(910,458)	-	(910,458)
Transferred defined benefit obligation	-	(1,844,419)	(1,844,419)
Service cost	(33,217)	(6,734)	(39,951)
Interest cost on DBO	(21,187)	(2,457)	(23,644)
Gain/(Loss) on DBO – experience	(989)	-	(989)
Gain/(Loss) on DBO – demographic assumptions	4,722	-	4,722
Gain/(Loss) on DBO – financial assumptions	60,951	349,999	410,950
Benefit payments	17,727	2,662	20,389
Settlement	22,551	-	22,551
At end of year	(859,900)	(1,500,949)	(2,360,849)

22 Retirement benefit obligations (continued)

Reconciliation of value of assets at March 2020:

	LNER	NTL	Total
	£000	£000	£000
Opening value of section assets	584,926	-	584,926
Transferred value of section assets	-	1,075,970	1,075,970
Interest income on assets	13,654	1,435	15,089
Return on plan assets greater than discount rate	(5,443)	(59,697)	(65,140)
Employer's contributions	8,050	1,570	9,620
Employee contributions	5,146	1,030	6,176
Actual benefit payments	(17,727)	(2,662)	(20,389)
Administration costs	(3,050)	(52)	(3,102)
Settlement	(15,022)	-	(15,022)
Closing value of section assets	**570,534**	**1,017,594**	**1,588,128**

DBO sensitivity to significant actuarial assumptions:

	Sensitivity	Approximate change in DBO		
		LNER	NTL	Total
	£000	£000	£000	£000
Discount rate	-0.25% p.a.	+49,400	+85,615	+135,015
	+0.25% p.a.	-45,600	-79,246	-124,846
Price inflation (CPI measure)*	-0.25% p.a.	-42,800	-75,639	-118,439
	+0.25% p.a.	+47,700	+81,242	+128,942
Salary increases	-0.25% p.a.	-14,000	-24,275	-38,275
	+0.25% p.a.	+14,500	+25,055	+39,555
Life expectancy	-1 year	+26,700	-45,028	-18,328
	+1 year	-26,700	+45,028	+18,328

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

The sensitivity figures are as at 31 March 2020. 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.

23 Related party disclosures

DfT OLR Holdings Limited is a company wholly owned by the Secretary of State for Transport. At the 31 March 2020, the Company had an outstanding debtor balance owed to the Secretary of State for Transport of £172.1m (2019: £0.1m). During the year DOHL was provided £16.1m of Grant in aid from the DfT to acquire a further 16,100,000 shares in TF19. This was primarily relating to the reduction of TF19's loan, used to purchase the 40 Class 365 units on 15 August 2019.

The Company's subsidiaries, London North Eastern Railway Limited and Northern Trains Limited, operates rail franchise under licence under a Services Agreement with the Department for Transport. Under the Services Agreement London North Eastern Railway is required to pay a financial premium to the Department for Transport, which for the year to 31 March 2020, amounted to £94.1m (2019: £128.4m). For Northern Trains Limited, under the Service Agreement the company receives a 'Fixed service payment' from the DfT which for the year to 31 March 2020 amounted to £54.4m (2019: £nil)

Capital project funding of £1m was received by LNER during the year from the Department for Transport (2019: £1.6m) and an additional £0.5m were incurred during the year relating to the introduction of the Azuma fleet. The other DOHL companies had £nil funding (2019: £nil).

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

24 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.