DfT OLR Holdings Limited

Annual Report and Financial Statements
For the year ended 31 March 2023

Company Registration Number 07141122

Registered office:

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England

CP 943

DfT OLR Holdings Limited

Annual Report and Financial Statements
For the year ended 31 March 2023

Presented to Parliament
by the Secretary of State for Transport
by Command of His Majesty

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DfT OLR Holdings Limited Company information

Non-Executive Chair	Richard George
Chief Executive Officer	Robin Gisby
Chief Financial Officer	Richard Harrison
Non-Executive Directors	Tim Buxton
	Chris Gibb
	Sam Caughey *(appointed 19 July 2022)*
	Michelle Handforth *(appointed 19 July 2022)*
Chief Accounting Officer	Robin Gisby
Company Secretary	Richard Harrison
Chair of Audit Committee	Claire Bullen
Registered Office	Waterloo General Office 3rd Floor Walker Suite Waterloo Station London England SE1 8SW

Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 29 Wellington Street Leeds England LS1 4DL

Chair's Overview

This year has presented multiple challenges for the rail industry. We are at a pivotal point in ensuring that we use the unprecedented changes that we have faced to create a modern and sustainable railway that is fit for the passengers and communities it serves.

DfT OLR Holdings Limited (DOHL or the Company) and its Train Operating Companies (TOCs), together the Group, have made good progress during the financial year from 1 April 2022 to 31 March 2023. In particular, I would like to congratulate and thank each of our colleagues, who have continued to perform well against a very difficult backdrop of industrial relations activity.

Our fundamental role as the DfT's Operator of Last Resort is to ensure we are able to seamlessly take on ownership of any TOC, as required by the Secretary of State, before transferring TOCs back to the private sector in due course with improved operations compared with when they arrived in the Group. DOHL remains in a state of constant readiness to be able to fulfil these public and statutory duties. Although it is after the time period covered by this report, on 11 May the Secretary of State announced the transfer of ownership from 28 May of TransPennine Express services from First TransPennine Express Limited to TransPennine Trains Ltd (TPT), a subsidiary of DOHL.

Our role as the Owning Group for all DfT specified TOCs in the public sector, (LNER, Northern and Southeastern) is to safely lead and manage each business, providing good governance, leadership, guidance and direction on behalf of the Department for Transport (DfT). London North Eastern Railway Limited (LNER), Northern Trains Limited (NTL), and SE Trains Limited (SET), Train Fleet (2019) Limited (TF19) and TPT (from 28 May 2023) all form part of the Group. DOHL reports directly to the DfT via its shareholder team, while each TOC does so through its dedicated in-market team.

These statements cover 2022-2023, the fifth year of operation of the Company. LNER, NTL and SET have all continued as the operating companies in the Group during this year. TF19 sold the Class 365 trains in July 2021 and so no longer has any day-to-day operations. Its current principal activity is to seek to realise value from the liquidation of the previous lessor of those trains.

I'm pleased to report that the performance of DOHL train operators is stable, with areas of industry-leading successes in performance and passenger recovery, accessibility, customer service, technical innovation and facility improvements as well as revenue recovery from reducing fare evasion. That said there is more that we and the wider industry need to do to get operational performance back to the levels our customers expect and pay for.

The Company finances are driven by the scale of operation of the subsidiaries under DOHL control. The CEO of DOHL as part of his duties acts as Chair of the

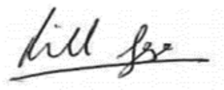
SET, LNER and NTL Boards. My duties as Chair of DOHL also extend to being Chair of TF19.

During the Autumn of 2022 we conducted a Board Effectiveness Review of the DOHL Board along with our colleagues from DfT. This periodic review ensures good governance practices and structures are in place. Whilst the overall operation of the DOHL Board was considered to be good there were some changes identified to strengthen the structure and they are being enacted.

John Macquarrie left the DOHL Board in June 2022 for a new role in Scotland. The Board thanks him and wishes him well and is pleased to welcome Sam Caughey, of the DfT, and Michelle Handforth, of Network Rail, as new appointments.

DOHL's focus will remain on delivering safe and reliable operations, bringing passengers back to rail in the short-term while transforming services and the experience passengers receive in the long-term and delivering ambitious targets to decarbonise transport. Its unique position as a group with long-distance, regional and London commuter train operators, means that it is also well-placed to help take forward future industry initiatives, transformation and reform.

Going forward, DOHL will continue to play its role in ensuring that the industry is able to build a more modern, sustainable and more customer-focused railway that delivers for all its stakeholders.



Richard George
Chair
17 July 2023

CEO’s Overview

Over the course of this financial year, DOHL and its TOCs have continued to operate in a sustained period of change. It is a time of widespread uncertainty for the industry which has been dominated by industrial action affecting Network Rail and Train Operators across the GB rail network.

In spite of a difficult year for operating performance, DOHL TOCs have seen revenue return and subsidy decrease. They have also remained focused on their transformation plans, making progress in areas such as digitisation, fares and ticketing reform, and accessibility improvements.

Safety continues to be of utmost priority for DOHL and its TOCs. The number of RIDDOR recorded customer incidents has remained at similar levels to the previous year (2022: 25 incidents. 2023: 26 incidents) and overall RIDDOR reportable employee accidents have increased slightly but remain lower than pre-pandemic figures. DOHL TOCs have seen an increase in physical assaults on employees which is primarily related to ticket enforcement and customers under the influence of alcohol or drugs. All frontline conductors, gateline staff and travel safety officers have body worn cameras and CCTV at stations and on trains is accessible to the British Transport Police (BTP) for the pursuit of evidence in such events. All physical assaults are investigated.

Performance and Revenue

Performance metrics for DOHL's TOCs have fallen below expected levels over the year due to a combination of operational factors, industrial action and extreme weather, some of which have also impacted on infrastructure reliability. Wherever possible staff have tried to mitigate the impact on passengers. Further details on performance can be found on page 22.

Passenger revenue has recovered from Covid quicker at LNER and faster than any other TOC. NTL's revenue recovery has outperformed that of the wider industry by approximately 13% across the full year, and revenue is now above pre-pandemic levels with further growth forecast. Demand for SET's services also began to recover well to 77% of pre-Covid levels by the end of May 2022, but that then levelled off due to the resetting of demand for mid-week, mainly commuter, train travel. All three TOCs continue to operate at a significant subsidy.

Worthy of note is NTL's efforts to protect revenue and reduce fraud and fare evasion which has resulted in record low levels of ticketless travel. Its team is proud to report that the digital fraud prevention team coupled with strong on the ground deployment is helping to protect over £10m in industry revenue. In January 2023 Railway Bylaws changed to increase the penalty fare for ticketless travel from £20 to £100 which has further strengthened the fraud prevention position.

Passengers

LNER ended the year above its target for customer satisfaction. Since the successful implementation of the December timetable and a return to resilient train performance, NTL has seen continued increases in customer satisfaction with the Transport Focus' Rail User Survey reporting overall satisfaction for NTL customers of 87% in their latest report (covering Dec 22 – Mar 23). SET has seen improved customer satisfaction in several key areas, albeit with a period of negative passenger and stakeholder feedback following the introduction of the December timetable.

Various improvements in accessibility for all passengers include the launch of new reporting dashboards at LNER which cover the station and on-board experience and the experience for customers with accessibility needs. NTL has delivered many industry-firsts in this area and has been recognised with numerous awards for its innovative virtual reality app for customers with mobility and access needs. SET is one of only three TOCs to achieve Level 2 AA accreditation for website accessibility and has made various infrastructure improvements across its station estate.

Partnerships

DOHL TOCs have made progress in industry partnerships that will help to deliver additional performance improvements. A joint task force between LNER, Network Rail and Hitachi was also launched in the year to identify the source of failures and design modifications for a more resilient pantograph. LNER’s East Coast Partnership (ECP) Charter for 2022/23 explores how it can further align with Network Rail to drive further customer experience improvements whilst delivering efficiencies in areas such as recruitment, accommodation and training. NTL will shortly endorse a new Joint Performance Strategy in partnership with Network Rail, whilst the continuation of stronger collaboration between SET and Network Rail Kent Route is driving improved opportunities for efficiency and passenger benefits.

People

The dedication and resilience of DOHL employees has been clearly demonstrated throughout recent years and I am extremely grateful to each of them for rising to a number of significant challenges in support of passengers, colleagues and their communities. Colleagues have gone the extra mile to support Ukrainian refugees with free train travel and brought people together for the Queen’s Platinum Jubilee and Mourning Period. The latter gave SET the opportunity to provide services to over three million people to and from London, running the first services through the night and operating welfare trains for those needing additional support or comfort while in the station.

LNER

LNER continues to work in partnership with Network Rail and Hitachi to deliver strong operational performance metrics. In particular, there has been great improvement in the availability of the Azuma fleet, following a high number of units damaged by struck animals and other issues, as well as the introduction of the programme to rectify the cracks in the bogie bolster that were first seen last year.

Over the year, LNER has delivered its Fares Utopia programme (aimed at developing a deeper understanding of the needs and wants of different customer groups around fares, reservation-only services and flexibility), enhanced its Perks loyalty scheme, trialled new digital customer information screens, opened the UK rail's first Family Lounge at King's Cross and worked collaboratively internally and with industry partners to maximise the booking horizon. Simplified 'single-leg' pricing was launched on 11th June and demand based pricing has been agreed for launch in autumn this year.

NTL

NTL closed the year ahead of revenue and £25m favourable on costs thus requiring £40m less subsidy than budgeted. Passenger revenue has recovered from Covid quicker than expected and revenue has seen sustained growth over the full year. It was however in breach of delivering all of its commitments under its Service Agreement.

December 2022 saw the successful implementation of the Manchester Taskforce (MTF) recast of services across the West and Central Regions. This was the outcome of three years development work and consultations to introduce a more robust timetable structure across the Manchester area.

The initial scope of the Digital Trains Programme has now been completed, and at year end 93% of NTL's train units had a range of digital functionality. This has added significantly to NTL's operational ecosystem, enhancing customer experience and safety. It has positioned NTL as an industry leader in designing and introducing this ground-breaking technology.

SET

SET's revenue recovery has been significantly impacted by prolonged and unresolved industrial action. A new timetable was introduced in December 2022 to reduce cost and match available resources with demand across its network. This had a negative impact on some routes which was then compounded by poor delivery, mainly due to factors outside its control. Following passenger and stakeholder feedback on these changes, SET made further adaptions to its timetable which are now generating good levels of punctuality and reliability.

Incidents of overcrowding at London Bridge have also been addressed. SET and Network Rail undertook a review of all crowd management arrangements at London Bridge and have implemented enhanced measures to ensure platform and concourse safety during times of disruption or large public events.

TF19

TF19 sold the Class 365 trains in July 2021 and so no longer has any day-to-day operations. Its current principal activity is to seek to realise value from the liquidation of the previous lessor of those trains.

The rail industry has a wider role than being an operator of trains so I am pleased to note within this report the economic, environmental and social contributions that our TOCs make to the communities within their regions and along their routes.

DOHL

On 28 May, the operation of all TransPennine Express services transferred from First TransPennine Express Limited (TPE) to TransPennine Trains Limited (TPT) – a DOHL subsidiary. TPT was given a Service Agreement contract to operate the franchise for a period of 2 (+2) years. Funding agreements were also put in place which give TPT and DOHL access to sufficient funds for the required operations. All franchise assets and liabilities were transferred to TPT, at values to be agreed between the parties excluding Rosco leases and the pension scheme.

DOHL and its TOCs are closely involved in various areas of industry reform, in particular with the Fares, Ticketing and Retailing programme; strategic alliances and transformative technology. In addition to preparing its TOCs for their return to the private sector, DOHL will continue to play its part in supporting the delivery of the Government’s Plan for Rail, ultimately ensuring that the railways deliver for their passengers and wider stakeholders, today, tomorrow and into the future.

Robin Gisby
CEO
17 July 2023

Strategic Report

The Directors present their strategic report for the year ended 31 March 2023.

OPERATIONS REVIEW

DfT OLR Holdings Limited (DOHL) is the Government's Owning Group with responsibility for three train operating companies and a non-trading rolling stock leasing company. It is owned by and reports to the Secretary of State and maintains constant readiness to take responsibility for other train companies that transfer from the private to public sectors under Section 30 of the Railways Act 1993.

The DOHL Group has over 14,400 staff and currently runs more than 3,600 trains a day, representing more than 20% of the total of England's railway. Its train operating companies – LNER, NTL and SET – taken together represent the industry overall as they cover long distance, regional and London commuter operations.

	Staff Headcount	**Passenger Miles 'm**	**Passenger Journeys 'm**
LNER	3,014	3,471	23.4
NTL	6,907	1,537	81.4
SET	4,597	1,954	117.5
Total FY 22/23	**14,518**	**6,962**	**222.3**
% of industry average	**n/a**	**21%**	**16%**
Total FY 21/22	**14, 861**	**4,568**	**133.3**
% of industry average	**n/a**	**19%**	**14%**

DOHL Vision and Strategic Objectives

DOHL's ultimate aim is to return its Train Operators to the private sector with improved operations in terms of safety, financial, operational and commercial performance, and customer service, with an enhanced reputation compared with when they arrived in the Group.

DOHL remains prepared and ready to assume responsibility for further TOCs as necessary and took over ownership of TransPennine Express services on 28 May 2023.

Its five strategic objectives are:

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

Vision

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

Values

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

Strategic Objectives

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

Safety systems, Governance and Oversight

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

The SHEC meetings provide oversight in the following key areas:

- Ensuring that the senior TOC team gives safety matters appropriate priority, and discharges its obligations set out in the Safety Certificate.
- Monitoring the TOCs' safety and environmental results against their targets approved by the TOC Board, and challenge appropriately where targets are not being met.
- Encouraging cross industry safety issue awareness and collaboration, both within DOHL Group and across the national rail industry.
- Engaging the accountable TOC leaders on topical safety issues, supporting, encouraging and challenging where necessary.
- Providing assurance to TOC Boards, DOHL Board and Oversight Committee that safety, security and environmental compliance across the DOHL group is being competently managed.
- Ensuring that the executive teams engage effectively with their workforce on safety matters, involving employees and their representatives fully in seeking ways to constantly improve safety performance.

For the transfer of TPE and any future TOCs that transfer to DOHL, the DOHL Board will continue to ensure necessary due diligence on safety matters is undertaken prior to transfer, satisfy itself that safety leadership roles are filled by people with the necessary experience and competence at the point of transfer, and implement best practice corporate safety management oversight at the earliest possible opportunity after transfer.

Safety is a priority Key Performance Indicator for DOHL and its TOCs. Further information can be found on page 33.

Train Performance

This has been a very challenging year for all three TOCs in terms of performance, with key service performance indicators of punctuality for customers (On Time, within 3 minutes, within 15 minutes and cancellations) adversely impacted by industrial action, extreme weather events, increased trespass, and challenges from infrastructure reliability. Staff have worked very hard to maintain services through these difficulties.

LNER

LNER's operational performance has also been below target, with On Time performance averaging 60.0%, down from the 72.0% achieved in 2021/22. High temperatures during July led to underlying track formation damage, which continued to impact performance through the imposition of emergency speed restrictions for the remainder of the year. The heat also saw the closure of the southern section of the East Coast Mainline on 19 July, with heat-related insulator failures also contributing to overhead line failures. Network Rail is working with LNER to address these issues in the coming year.

NTL

Due to the challenges outlined above, NTL failed to reach the annual targets it had set for this year with Time to 3 minutes at all stations annual average being 80.4%, a worsening performance than the previous year (2022: 87.3%). Cancellations were at 4.2% which was an increase of 0.9% from 2021/22. Cancellations of services occur for many reasons from weather impact, infrastructure failure, train faults, theft and trespass, and traincrew unavailability. Working collaboratively within NTL and with Network Rail, NTL develops mitigation for these occurrences on a continuous basis.

SET

SET's performance metrics fell below expected levels due to the combined impact of several external factors outlined below. On Time has fallen to 66.0% (2022: 71.3%); T-3 fallen to 84.7% (2022: 89.5%); T-15 to 98.5% (2022: 99.2%) while cancellations rose to 2.8% (2022: 2.2%). The introduction of a new timetable in December 22 has taken some time to settle down. Infrastructure issues led to severe overcrowding on a couple of occasions at London Bridge station. Following some changes based on passenger feedback, staff have become accustomed to the remaining changes in operation and current punctuality and reliability are now excellent.

	LNER 2023	LNER 2022	NTL 2023	NTL 2022	SET 2023	SET 2022
PPM*	**80.8%**	87.6%	**82.3%**	98.5%	**85.6%**	90.5%
Time-to-3*	**73.6%**	84.2%	**80.4%**	87.3%	**84.7%**	89.5%
Cancellations	**5.4%**	3.9%	**4.2%**	3.3%	**2.8%**	2.2%

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

Transpennine Route Upgrade (TRU)

Transpennine Route Upgrade (TRU) is a multi-billion pound infrastructure programme, including electrification of the 70-mile route between York and Manchester, via Leeds and Huddersfield between now and 2030. The programme is delivered by Network Rail, with funding from the Department for Transport, and in collaboration with NTL and TransPennine Express (TPE). The project is a crucial for delivering improved capacity on the network which will deliver better connectivity, more frequent, faster trains running on a greener and more reliable railway.

The first TRU Business Plan was established for 2022/23 and all key milestones were delivered before the end of the financial year. The main highlights were in the areas of growing the team, contributing to TRU Integrated Programme Business Case and delivering customer handling plans. The NTL TRU management team has grown from 13 to 29 people during the course of the year, to support the delivery of the Business Plan and reflecting the Programme moving into delivery. As the NTL TRU team has grown, NTL has established a formal TRU Programme Steering Committee which feeds into the NTL Programme Board and is supported by an internal governance structure.

Modernisation, Transformation and Reform

Over the year, DOHL TOCs have taken great strides forward in delivering various technical and digital transformations that are in turn, enhancing the passenger experience and increasing passenger demand.

LNER

This financial year saw LNER deliver industry-leading retail and digital best in class experiences across the entire passenger journey. Over the year, in excess of £5m of capital was invested in the portfolio of projects and over 30 projects or major project phases were delivered. This year included the third year of LNER's Future Labs programme, which is an innovation incubator which works with leading external innovators to look at and solve some of the unique problems which can affect the industry e.g. environment & sustainability, accessibility, health and wellbeing, data and analytics, and operational performance. LNER will build on this in the coming year to further digital innovation for the rail industry whilst delivering cost and operational efficiencies, enhancing self-service, adding customer value, and increasing farebox and ancillary revenue.

NTL

NTL has continued the work already underway in the previous years and started to progress several new initiatives. It has 42 live projects within its Transformation Programme portfolio. £49.4m new capital funding was approved in the year for 22 new projects or new phases to existing projects. The initial scope of the Digital Trains Programme has now been completed with 264 units, covering seven classes of diesel and electric trains.

SET

SET's new Digital Strategy has grown its share of revenue from digital channels to 20%. The largest share of digital sales comes from its app and this year saw the launch of various new features, including eTickets, One Click Delay Repay, a Best Fare Finder, Carbon Calculator, and Disruption Notifications. SET also successfully installed two tranches of barcode readers at stations enabling more than 200 gate walkways, permitting travel with an eTicket on more than 80% of Southeastern flows.

DOHL employees: Creating a productive and engaging place to work

DOHL strives to be a highly regarded Owning Group, an inclusive employer of choice and a productive and engaging place to work. As such, DOHL and its TOCs apply an unrelenting focus on safety (both psychological and physical), inclusion and diversity, wellbeing and involvement to acquire, nurture and develop the very best talent available. DOHL TOC Boards fully promote their purpose, vision, and values. These underpin every decision and action in each business and are designed to create value for all stakeholders.

Attracting and retaining the best talent in the market, investing in wellbeing and skills development, and providing highly skilled, great work experiences is critical to success, and to the transformation of the railway as it modernises.

Progressing Diversity, Equity, Inclusion and Belonging

Over the last financial year, DOHL TOCs have continued to make progress on their diversity and promoting equity, inclusion and belonging (DEIB) objectives, investing in and attending cross-industry forums such as the Diversity & Inclusion Steering Group (DISG) and Rail Unites for Inclusion. DOHL TOCs hold memberships of several influential DEIB forums and are signatories to Charters such as Women in Rail, Women in Transport, Race at Work Charter and Investors in Diversity. All DOHL TOCs have established a wide variety of Employee Support Groups (ESGs) covering different aspects of diversity.

Education and Programmes

DOHL TOCs provide Inclusive Leadership training for people managers and leaders of all levels, compliance training, and behavioural development e-learning modules. Robust equality impact assessment processes (EqIA) are also in place. Like all other public sector organisations, DOHL and its TOCs are required to assess the impact of all services, policies, and changes to existing services on equality.

Fair, Equitable and Inclusive Recruitment

Our TOCs are at different levels of EDI maturity currently and have plans in place that progress greater representation that reflects the communities they serve. All of our TOC’s build diversity into their hiring processes through mechanisms such blind CV/Application sifting, diverse interview and assessment panels, and the use of appropriate personality assessments. Hiring Managers are trained to spot bias in recruitment processes to account for unconscious and affinity bias.

Social mobility is the first focus for talent pipelines so they can be built with diverse candidates. In terms of diverse candidate attraction our TOCs use multiple sourcing channels and work with specialist partners and job boards to ensure an extended reach. Diverse employees are encouraged to refer to their connections, apprenticeships and work experience programmes are targeted to underrepresented groups and through partnerships such as the Princes Trust.

Understanding Workforce Demographics

Over the year DOHL TOCs have continued to improve their ability to capture diversity profile data. 94% of LNER's colleagues have shared their ethnicity and NTL and SET are progressing systems and processes to be able to achieve the same.

Accreditations & Awards

LNER

In 2021 LNER was awarded the Bronze Inclusive Employers Award and has continued to be listed annually as one of the UK's Top Employers (awarded by the Top Employers Institute) following their intensive audits. At the Women in Rail awards (2019), LNER won the Highest Gender Balanced and Diverse Workforce award.

NTL

NTL has been successful in achieving gold standard for Investors in People, highlighting its focus on creating a great place to work for colleagues. NTL also achieved Disability Confident – Level 2 in March 2022 and the Investors in Diversity accreditation form the National Centre for Diversity in May 2022.

NTL has a long standing partnership with Women in Rail contributing to its mentoring and other developmental schemes. It continues to receive nominations, be highly commended and/or win awards from this body such as special recognition for its EDI Strategy and approach to inclusive recruitment. NTL was also highly commenced for the same programmes at the 2022 Rail Business Awards and is currently shortlisted for their EDI and Northern Power Women Awards for the coming year.

NTL's overall DEIB activities have resulted in them being shortlisted for awards such as the Rail Business Awards (Diversity and Inclusion), the National Centre for Diversity (Most Inspiring EDI Person of the Year), Engagement Excellence Awards (Best EDI Strategy) and the Northern Power Women Awards (Best Large Organisations).

SET

Since 2021, SET has held two gold standards, the main Investors in People standard and also gold for the 'We Invest in Wellbeing' framework. SET was also recognised in the Financial Times Diversity Leaders rankings for 2023. 850 companies from across Europe are listed. In the year, SET achieved the Ernst Young (EY) National Equality Standard accreditation which is the "UKs leading DEI Standard, only guaranteed to organisations who demonstrate the highest levels of DEI proficiency."

SET won the Women in Rail Top Employer award, which recognised its work for female train driver recruitment, updated policies, overhauled guidance, new colleague network groups, and other workplace initiatives as well as survey responses from colleagues. It has taken all necessary steps to become an endometriosis friendly employer and is the first transport company to be independently accredited as a Menopause Friendly

Employer. SET is also recognised for its work with Apprentices and is ranked as part of the 5% club in the Apprenticeships Top 100 Employees in 2022. The employer rankings are developed by the Department of Education, in partnership with Highfliers Research, who independently assess and rank the country's top apprenticeship employers.

Sustainable, Ethical and Environmental Performance

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

LNER's commitment to supporting the UK's net zero ambitions has delivered an increase in the bike rack capacity at Kings Cross, a communications campaign promoting the environmental benefits of rail, coffee recycling systems at three stations, and water refill points across the station estate. 2023 will see work to make stations more energy efficient, replacing old boiler units with heat pump technology and leveraging solar power where possible. Longer term ambitions are to develop some stations into low-carbon mobility hubs to make it even easier for customers to make more environmentally friendly travel choices.

NTL developed its ‘Pathway to Net Zero’ Decarbonisation strategy, with targeted business plans to support delivery of the strategy to be a priority in the coming years. NTL also continued to implement several key environmental initiatives, including an air quality strategy, pollution prevention surveys, a waste segregation trial and the roll-out of Planet Saving Rules. A noise strategy will be developed in 2023/24.

SET undertook its first detailed review of business risks and opportunities associated with climate change and its planned transition to net zero carbon by 2050. The findings were used to inform the development of its decarbonisation road map and to draft science-based targets. Additional work was completed to draft SET’s first biodiversity action plan that sets out its vision for biodiversity across its estate for the next 20 years, focused on habitat enhancement, creation and management. A draft Green Growth Travel Strategy (modal shift) was developed to encourage passengers to see the Southeastern network as the green alternative to less sustainable transport options.

Further information relating to the Group’s carbon tCO2e can be found in the Sustainability report, page 55.

KEY PERFORMANCE INDICATORS

In addition to monitoring financial performance, the Group uses a range of key performance indicators (KPIs) for its companies to assess the effectiveness of their performance against their Business Plans. Covid continued to impact the Group's KPI results, the most important of which are in the following key areas.

Safety

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

Moving annual average (MAA)*	LNER 2023	LNER 2022	NTL 2023	NTL 2022	SET 2023	SET 2022
Passenger major injuries per 1 million passenger journeys	0.31	0.26	0.28	0.33	0.02	0.04
Workforce lost time accidents per 1,000 employees	0.63	0.74	0.56	0.75	0.41	0.07
Employee physical assaults per 1,000 employees	1.47	1.32	2.01	1.67	6.60	4.37

This year saw 26 RIDDOR recorded customer incidents (Reporting of Injuries, Diseases and Dangerous

Occurrences Regulations 2013), (2022: 25 incidents). For staff accidents there were 75 RIDDOR reportable employee accidents (2022: 70 incidents). These figures have increased slightly compared to last year. However, these figures remain considerably lower than prior to the pandemic. The Group continues to monitor and rectify common factors to ensure the level of accidents and time lost are minimal.

During the reporting year employees who were physically assaulted were 58 LNER (2022: 48), 191 NTL (2022: 157) and 394 SET (2022: 235). The classification for this differs to that of the police. Any physical contact is recorded as a physical assault. The highest individual causes remain related to ticket enforcement and/or dealing with customers reported to be under the influence of alcohol or drugs. The Board is very grateful for the efforts of its staff in dealing with these difficult circumstances.

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

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

Colleague Engagement

DOHL TOCs have continued to enhance their colleague wellbeing and engagement programmes ensuring colleagues can access support (physical and mental) and several initiatives throughout the year have contributed towards this aim.

Each DOHL TOC has in place a colleague wellbeing strategy delivered through experienced teams of occupation health professionals who are either internal to the business, or through a provision from well-known industry suppliers such as Medigold. The strategies employed for DOHL TOCs are focused on both physical and psychological wellbeing. All colleagues have access to Employee Assistance Programmes (EAPs) and each DOHL TOC actively promotes services that exist to support colleagues suffering financial hardship such as the Railway Benefit Fund and the Railway Mission.

It is important to note that DOHL TOCs engagement indices are skewed by the ongoing industry dispute over pay and workforce reforms, which has had a negative impact evidenced within the employee survey sections that explore pay, terms and conditions and reward.

Since the year end, industrial action has continued to affect DOHL TOCs as well as Network Rail and other train operators across the GB network. Strike action has continued with RMT and ASLEF, and an agreed resolution has yet to be reached. DOHL TOCs will continue to work even harder within their engagement strategies to strengthen the employer-employee relationship in all other areas of the employee experience to try and mitigate the overall result.

Employee Engagement Index 2022/3	LNER	SET	NTL
Response rate	48%	36%	30%
Engagement	62% (-9%)	64% (-8%)	52% (+1%)

NB: the engagement surveys at our TOCs are different and therefore any comparison of the outcome results would be misleading.

LNER‘s sustainable engagement score of 62% dropped from 71% in 2022. A significant theme around this reduction was pay and reward which is reflective of the prolonged pay dispute across the DfT portfolio of companies. Collaboration, values and behaviours, and career progression are other key focus areas from the 2022 survey, and there is a strategic action plan in place to address each of these areas.

NTL’s colleague engagement survey response rate has doubled to 30% from 15%. Compared to the prior year, colleague satisfaction increased by 1% to 52%; although advocacy dropped 12% to 47%. Analysis of the survey reflects that dissatisfaction is materially skewed toward the challenging industrial relations environment dominated by the dispute over pay and workforce reform proposals.

A fall in overall engagement score at SET from 72% to 64 % is also largely due to the concerns around job security, working practices and pay restraint.

Customer Advocacy

DOHL TOCs are using customer insight to create a culture of continuous improvement in the customer experience, empowering colleagues to drive change and address customer priorities. However, the external challenges facing both the industry, in terms of disruption to services, and society more broadly, in terms of cost of economic conditions, have made for a difficult year from a customer perspective.

LNER reported a Customer Satisfaction (CSAT) score of 63.4% for the year, above target of 63% but a drop of 2.4pts on 2021/22 CSAT performance although well above pre-Covid customer satisfaction levels. Disrupted CSAT, which measures customer satisfaction during periods of delays of 10 minutes or more, was 45.3%, 3.7pts below target of 49% and non-disrupted CSAT was 68.7%, 3.7pts above target of 65%. The booking stage of the LNER customer journey is the highest rated stage with 80.5% of customers giving a score of ‘extremely’ or ‘very satisfied’. This is followed by the boarding and departure station experience.

Whilst the early part of the year saw continued upticks for NTL in both Net Promoter Score and CSAT, subsequently the aforementioned headwinds have significantly impacted both of these metrics leaving NTL behind target. However, since the successful implementation of the December timetable and a return to resilient train performance, CSAT is once again approaching 70%, which is comparable to 2022’s score.

At SET, customer satisfaction has decreased slightly to 84% in 2023 (2022: 85%). A range of improvements and new services have been delivered to enhance SET’s customer experience. These include the “One Click” Delay Repay, and significant enhancements to the Southeastern App, which has resulted in the App typically taking in excess of £1m in ticket sales per year. SET has also rolled out barcode readers across much of its network as part of the industry’s drive to eliminate paper tickets and this is expected to conclude in summer 2023.

Stakeholder Engagement

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

NTL's proactive and collaborative approach has resulted in its highest stakeholder engagement scores in the 2022/23 survey (a 32% net increase), with both organisation and personal relationships rating continuing to rate highly. Stakeholders have highlighted collaborative relationships and engagement alongside regular informative communications in what has been acknowledged as a difficult year for the industry.

Supplier relationships and industry partners

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

In addition to commercial aspects, all DOHL TOCs have introduced corporate social responsibility measures, such as including social value measures in tender evaluations. Via LNER, this has delivered over £12m to date. NTL continues to provide financial (over £1.3m in 22/23) and in-kind support to community rail activity delivering positive social value. NTL will publish its first social value report in April 2023 and is actively working with RSSB and partners on the development of the Rail Social Value

Tool. SET published a new Procurement Social Value Charter which outlines its guiding principles, minimum standards and intention to strive for more stretching objectives in the longer term in partnership with suppliers.

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

Partnerships

LNER has worked very closely with its industry partners this year, particularly Network Rail, to seek new and efficient ways of operating. LNER's East Coast Partnership (ECP) Charter expanded joint activities with Network Rail beyond the original remit of operations and performance to explore how alignment can drive further customer experience improvements.

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

NTL also forms part of the North West and Central Railway Efficiency Board which includes representatives from train operators and Network Rail working as one team to implement ways to be more efficient while improving service for passengers. The Board complements existing efficiency programmes within organisations across the industry by identifying opportunities that can only be achieved by cross-industry working.

SET has continued to collaborate with Network Rail and other organisations, including Transport for London. In particular, the South East Alliance involves working more closely with Network Rail to seek opportunities for collaboration which will drive efficiency and greater value for money for the businesses and its customers.

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

Community Engagement

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

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

LNER made charitable donations totalling £25,515 during the year ending 31 March 2023 (2022: £24,300) to the Railway Mission Chaplaincy, and not including projects funded through its Customer and Community Investment Fund. LNER provided £675,641 through the Customer and Community Investment Fund during the year ending 31 March 2023, (2022: £301,427), including for charitable projects delivered by MyBigCareer, the Wave Project, and St Vincent de Paul Society.

NTL continued to provide financial (over £1.3m in 22/23) and in-kind support to community rail activity delivering positive social value. NTL's first social value report will be published in April 2023 and it is actively working with RSSB and partners on the development of the Rail Social Value Tool.

Through its Customer and Communities Improvement Funding NTL has provided grants to over 20 projects which have supported over 6,000 people from the most socially isolated communities across the network. NTL has also provided a number of small grants of up to £1,000 to charities and community organisations nominated by colleagues from across the business.

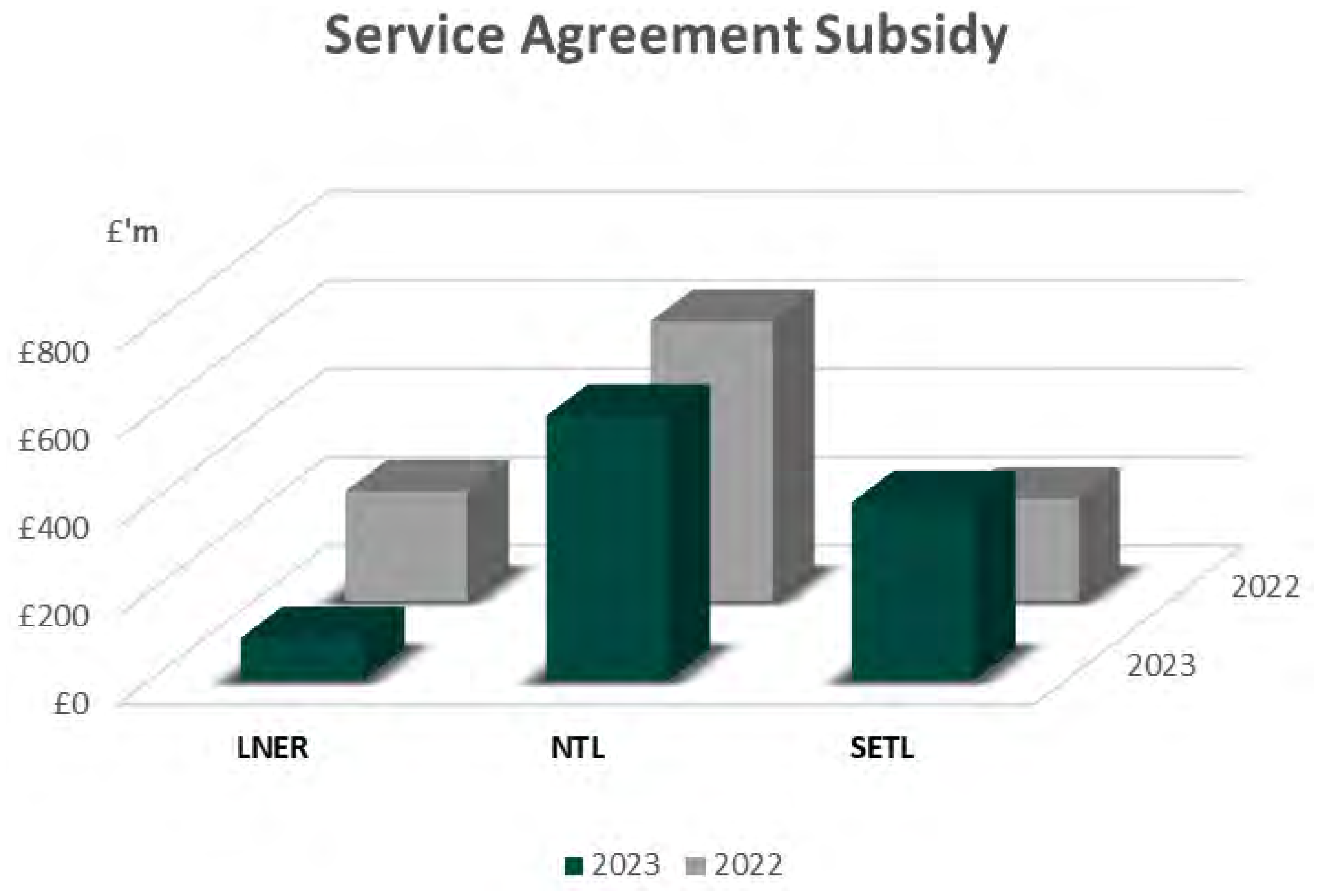
SET continues to work in liaison with the Community Rail Network (CRN) to ensure its Community Rail Partnerships (CRPs) are managed in line with the industry standard. Kent CRP and South East CRP are the most well-established of the organisations, and several of their initiatives are highlighted by CRN as best practice.

In addition to the hundreds of volunteer hours these partnerships provide, they also gain external funding from organisations such as CRN, Kent County Council, Railway Heritage Trust and local parish councils.

FINANCIAL REVIEW

Operating performance

Revenue for the financial year ending 31 March 2023 was £2,857.2m (2022: £2,191.9m) which in the main reflects ticket revenue earned from passenger services and associated income earned from catering, car parks, and commission. It additionally includes the DfT service agreement subsidy, in line with other Train Operating Companies (TOCs).



The service agreement subsidy received by LNER, £96m (2022: £248.2m), NTL £597.7m (2022: £632.6m) and SET £402.2m (2022: £231.5m) decreased year on year for LNER and NTL, and increased for SET. LNER's service agreement runs until 23 June 2025, NTL's until

1 March 2025 and SET's until 13 October 2024 with an option for a further three years. Each TOC's mechanisms to calculate the service agreement subsidy/premia from/to DfT are per its service agreement.

Total operating expenditure and other income reported in the year for continued operations was £2,831.6m (2022: £2,172m), comprising access charges payable to Network Rail for stations and depots, rolling stock lease costs and sublease income, staff costs and other operating costs. The profit before taxation on continued operations for the year was £25.6m (2022: £19.9m). Each TOC's mechanisms are per its service agreement.

TF19's profit before taxation from discontinued operations is £2.1m, (2022: £4.4m), including expected income from the reassessment of expected recovery from the liquidators of the insolvent Eversholt Rail ER365 Ltd.

On 28h May, the operation of all TransPennine Express services transferred from First TransPennine Express Limited (TPE) to TransPennine Trains Limited (TPT) – a DOHL subsidiary. TPT was given a Service Agreement contract to operate the franchise for a period of 2 (+2) years. Funding agreements were also put in place which give TPT and DOHL access to sufficient funds for the required operations. All franchise assets and liabilities were transferred to TPT, at values to be agreed between the parties excluding Rosco leases and the pension scheme.

All First TransPennine Express Limited employees were able to transfer to TransPennine Trains Ltd under the

TUPE process on their existing terms and conditions. Following the announcement, the decision was taken for the TPE Managing Director to step down, and an Interim Managing Director was seconded from NTL until a permanent successor is appointed.

The transition of ownership was undertaken successfully with no disruption to passengers, suppliers and employees and no loss of financial control or commercial momentum. Effective governance functions were implemented and there was no disruption to projects.

Going forward, TPT's focus will be to improve punctuality and reliability and to operate a safe and efficient railway; reset relationships; re-engage colleagues and rebuild trust with passengers and stakeholders.

Statement of financial position

At 31 March 2023 the Group had net assets of £134.3m (2022: £111.1m). Key movements year on year included thirteen periods of Right of Use (RoU) assets; depreciation £352.9m (2022: £283.5m) across the Group and repayment of lease liabilities £384.6m (2022: £294.5m) mainly in rolling stock, see note 26. With SET commencing trading on 17th October 2021, the comparison year 2022 included only six periods for SET. Lease liabilities remeasurements in the year primarily relates to extension and payment term charge in respect of rolling stock leases and payment term reduction in office lease.

Statement of cash flows

The Group has generated a net cash outflow of £40.4m (2022: £102.2m inflow) in the year, leaving a cash balance of £263.1m at 31 March 2023 (2022: £303.4m). For year ending 31 March 2023, the Company had no loans outstanding or loan repayments from or to the DfT (2022: £102.3m repayment to DfT). The Group cash flows from operating activities has seen the improvement in revenue growth, higher indexation and a full year of SET working capital, the TOC commenced trading on 17th October 2021.

PRINCIPAL KEY RISKS AND UNCERTAINTIES

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

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

- The industrial relations climate across the industry.
- The threats posed to all organisations through cyber criminality.

- Pressures on train planning and timetabling resources that could impact ability to offer operationally efficient services.
- The effect of inflation on its cost base.

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

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

The retention, recruitment and fair remuneration 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.

On behalf of the Board

Robin Gisby
CEO
17 July 2023

Directors' Report

The Directors present their annual report, business review and the audited consolidated financial statements for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

DOHL's fundamental role as the DfT's Operator of Last Resort is to ensure that it is able to transfer ownership of TOCs to DOHL, as required by the Secretary of State. DOHL remains in a state of constant readiness to be able to fulfil its public and statutory duties in accordance with Section 30 of the Railways Act 1993. For the train operators within its control DOHL provides good governance, support and direction to achieve its vision to return the operators to the private sector. From 28th May 2023, DOHL will take over ownership of all TransPennine Express services.

The principal activity of LNER, NTL and SET is the provision of passenger services. TF19 sold the Class 365 trains in July 2021 and so no longer has any day-to-day operations. Its current principal activity is to seek to realise value from the liquidation of the previous lessor of those trains. The non operational subsidiary companies were formed in readiness to facilitate the ownership transfer of a TOC if it were to move into government ownership under DOHL.

Please see the Strategic Report for further detail as to how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

Results and dividend

The Group's reported financial performance for the year ended 31 March 2023 shows a profit after tax of £23.5m (2022: £22.1m profit). The financial performance is reported in these financial statements split between continued and discontinued operations.

The Directors do not propose a dividend for the year, (2022: £nil). The Company did not receive any dividends during the year (2022: £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 Chair	Richard George	
Chief Executive Officer; Chief Accounting Officer; Accounting Officer for TF19	Robin Gisby	
Chief Financial Officer	Richard Harrison	
Non-Executive Directors	Tim Buxton	
	Chris Gibb	
	John Macquarrie	appointed 04 June 2021, resigned 17 June 2022
	Sam Caughey	appointed 19 July 2022
	Michelle Handforth	appointed 19 July 2022

Company Secretary

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

Richard Harrison

Directors' attendance at Board meetings

The Directors' attendance at Board meetings from 1 March 2022 to 31 March 2023 was as follows:

	Attended	Invited
Richard George	12	12
Robin Gisby	12	12
Richard Harrison	11	12
Tim Buxton	12	12
John Macquarrie	2	2
Chris Gibb	11	12
Michelle Handforth	7	9
Sam Caughey	9	9

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

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

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

Code of Conduct

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

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

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

Conflict of interest

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

Political donations

There were no political donations made in the year (2022: £nil).

Sustainability Reporting

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

Being a responsible business underpins the Group's business values, which include managing our impact on the environment. In accordance with the Limited Liability Partnerships (Energy and Carbon Report) Regulations SI 2018/1155, the performance for LNER, NTL and SET for the period 1 April 2022 to 31 March 2023 is summarised below. No other group companies have any significant impacts on these metrics, and DOHL's own usage is negligible.

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*	Total**	Carbon tCO2e	Carbon tCO2e
		2023	2022	**2023**	2022
Energy					
Total gas kWh	1				
LNER		3,740,008	3,472,033	683	745
NTL		15,884,035	15,172,205	3,393	2,779
SET		6,925,189	3,749,839	1,264	1,455
		26,549,232	22,394,077	5,340	4,979
Traction diesel kWh	1				
LNER		51,841,115	57,288,105	13,620	18,502
NTL		458,380,724	483,451,007	148,040	127,013
SET		618,671	305,456	145	72
		510,840,510	541,044,568	161,805	145,587
Total non-traction electricity kWh	2				
LNER		11,682,200	10,607,688	2,259	3,090
NTL		24,056,605	23,543,666	6,292	4,999
SET		28,965,392	15,111,828	5,477	3,128
		64,704,197	49,263,182	14,028	11,217

	Scope	Total*	Total**	Carbon tCO2e	Carbon tCO2e
		2023	2022	**2023**	2022
Traction electricity (EC4T) kWh	2				
LNER		331,233,346	299,388,163	64,054	87,212
NTL		103,635,375	101,582,633	27,106	21,569
SET		428,542,017	229,815,116	82,871	45,626
		863,410,738	630,785,912	174,031	154,407
TOTAL		**1,465,504,677**	**1,243,487,739**	**355,204**	**316,190**
Other environmental parameters					
Total water (m3)	3				
LNER		74,817	65,526	n/a	n/a
NTL		205,015	206,494	n/a	n/a
SET		73,276	1,080	n/a	n/a
		353,108	273,100	n/a	n/a
Waste % recycled	3				
LNER		32%	23%	n/a	n/a
NTL		70%	70%	n/a	n/a
SET		29%	25%	n/a	n/a

	Scope	Total*	Total**	Carbon tCO2e	Carbon tCO2e
		2023	2022	2023	2022
Intensity ratios					
Carbon emissions per £million turnover					
LNER		n/a	n/a	130	144
NTL		n/a	n/a	188	168
SET		n/a	n/a	84	101
DOHL Consolidated		n/a	n/a	133	145

*This data includes estimates. TOC mileage claims for personal vehicles have been excluded as they are immaterial.

** Revised prior year 2022 data. SET data from transfer to DOHL on 17 October 2021.

Our TOCs have maintained certification to ISO14001 and ISO50001 environmental and energy management systems standards (see individual TOC financial statements for details). 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 is working to make stations more energy efficient, replacing old boiler units with heat pump technology and leveraging solar power where possible.

NTL saw a 55% reduction in water consumption compared to its 19/20 baseline. Non-traction energy was once again favourable to NTL's target. Ongoing energy saving improvements were also made across the Northern network which included replacement of low efficiency, end of life, boilers and the installation of PIR sensors. A waste segregation initiative at Bradford Interchange that involved physical separation and correct disposal of waste by an on-site contractor proved a success, and feasibility of extending this trial to other NTL locations is being considered.

SET drafted its first biodiversity action plan that sets out its vision for biodiversity across the estate for the next 20 years, focused on habitat enhancement, creation and management. Further, a draft Green Growth Travel Strategy (modal shift) was developed to encourage existing passengers to use SET's services more frequently and help attract new people to use SET's services.

Going Concern

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

Within the Group's TOC subsidiaries, the Services Agreement with the DfT where the contracted subsidy/ premium payments from/to the DfT reflect the revenue and costs in the business. LNER's service agreement was agreed in June 2020 for LNER to operate trains and stations across the East Coast Main Line until 24 June 2023. The services agreement includes an optional extension of two years and in June 2022 the Secretary of State provided confirmation to the Directors that the extension would be exercised and therefore the contract will continue through to 23 June 2025., NTL's runs until 1 March 2025 and SET's runs until 13 October 2024. The government is contractually bound to support the TOCs for the length its service period.

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. Detailed cash forecasts are prepared by Group entities and shared with the DfT and the Company regularly to demonstrate that the Group have sufficient liquidity to meet its liabilities as they fall due. In addition to the guaranteed profit margin under the service agreement for the Company's TOCs, a Funding Deed exists between the Company and Secretary of State whereby a loan facility of £440m has been provided to the Company. The cash flow forecast for 2023/24 shows full headroom throughout the year. Due to the subsidy funding mechanism in place, there are no key sensitivities which could result in a risk of breaching this limit. The Funding Deed has subsequently been increased to £600m post year end with the TransPennine Express franchise being taken over. The facility term ends six months after all termination of all the Services Agreements.

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

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

Indemnification of Directors and Officers

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

Directors' statement of disclosure of information to auditors

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

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

The financial statements on pages 84 to 188 were approved by the Board of Directors on 17 July 2023 and signed on its behalf by:

Robin Gisby
CEO
17 July 2023

Corporate Governance Report

STATEMENT OF DIRECTORS' AND ACCOUNTING OFFICERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

Directors' and Accounting Officer's confirmations

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

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

the Group's and Company's auditors are aware of that information

CORPORATE GOVERNANCE

In alignment with the Government Financial Reporting Manual 2022-23, this Corporate Governance Report is intended to provide an understanding of the Company and the 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.

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

In addition to its Vision and Values, DOHL applies the "International Framework: Good Governance in the Public Sector (CIPFA 2014) to identify the principles by which the Company, its officers and employees should conduct business. These principles were endorsed at the Board and will be re-affirmed or amended on an annual basis:

- Visible demonstration of ethical values
- Open stakeholder engagement
- Defining outcomes that are economically, socially and environmentally sustainable

- Clear interventions when required
- Development of people and an open culture
- Strong internal controls and risk management
- Transparency and accountability

The Board has assessed its strengths and weaknesses in these areas and set itself improvement actions through a formal Board Effectiveness Review process. These actions are all completed or on track and are reviewed at every Board meeting.

The Board of Directors

During the year, the Board consisted of the non-executive Chair, two executive directors being the Chief Executive Officer and the Chief Financial Officer together with four further non-executive directors (2022: three further non-executive directors). The Board usually meets every four weeks and is responsible for monitoring the operational and financial performance of the Company and its subsidiary companies, reviewing progress against the Company's budgets and setting and reviewing its business plans.

The Board of the Company met on twelve occasions in the period from 1 April 2022 to 31 March 2023. Details of the Directors' attendance at each of these meetings can be found in the Directors' report on page 49.

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

Information and Board development

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

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

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

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

Framework Agreement and Oversight Committee

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

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

Audit and Risk Committee

The Audit and Risk Committee is chaired by Claire Bullen an independent individual with appropriate expertise. Richard George (non-executive Chair), Tim Buxton, Sam Caughey, Michelle Handforth and Chris Gibb (all non-executive Directors) are members of the Committee. Robin Gisby (Chief Executive Officer) and Richard Harrison (Chief Financial Officer) also attend meetings of this Committee when appropriate. In 2023/24 it is anticipated that the Chair of this Committee will be taken up by a DOHL non-executive Director.

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 76.

Directors and their Interests

The current Directors of the DOHL Board are listed on page 50. A Register of Directors' Interests is maintained by the Company Secretary through whom public inspection can be arranged. None of the Directors have any interests, such as shares in the companies within the Group.

Financial reporting

The Directors have a commitment to best practice in the Company's financial reporting and systems. A statement of the Directors' and Accounting Officers' Responsibilities in respect of the financial statements can be found on page 62.

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 2023 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 37. There have been no ministerial directions given, or any significant lapses of protective security in the year.

Climate risk

The changing climate is shaping people’s lives across the planet and the effects of climate change are complex. Its long term, global nature and the fact that it is potentially irreversible with uncertainty surrounding its progression means it is unlike any other risk that businesses are facing.

DOHL’s TOCs have the potential to be significantly impacted by this. With that in mind, a DOHL-wide working group has been formed to look at the TOCs’ individual and collective path towards full alignment with the Taskforce on Climate-Related Financial Disclosures (TCFD) requirements. The working group also shares learnings, collaborates on scenario planning and discusses principal risks and opportunities. Each TOC then feeds into its governance structure via the Audit and Risk Committee, which in turn advises the TOC Boards as well as DOHL’s Audit and Risk Committee.

The working group has identified two key categories of risk: the physical risks that arise from climate change, and the risks inherent in a transition to a low-carbon economy. Given the nature of the TOCs’ operations and the diverse geography of the route on which they operate, physical risks are of a particular concern in respect to specific weather events and longer-term shifts in the climate. The breadth and pace at which stakeholder expectations and the legal, regulatory and political focus are changing means that the transitional risks are equally prevalent.

The main themes of these risks are:

Tax Risks – either increased taxation based on the TOCs' carbon footprint or changes in taxation policy that impacts on the organisation.

Policy and Legal Risks – ranging from the TOCs' ability to report on climate related factors, increased litigation and regulation, and significant movements in insurance premiums.

Supply Chain Risks – including the price and availability of products/services in the supply chain, plus the financial impact to the supply chain of a more robust regulatory landscape in relation to climate issues.

Technology Risks – these cover the financial impact of customers moving to alternative modes of travel and the financial risks inherent with investing in lower emission technology.

Reputational Risks – risk of stakeholders' perception of TOCs due to the awareness of their approach to sustainability.

Operational Risks – likelihood of chronic or acute risks disrupting services, managed properties, people and/or critical supply chain partners.

Rather than a pure focus on risks, DOHL's TOCs continue to build on the financial opportunities that climate change enables, from reductions in operating costs through capitalising on greater energy efficiencies, right through to attracting customers to rail on the basis of strong environmental credentials.

In focusing their efforts towards addressing climate risk over the coming year, each TOC has outlined the following next steps:

LNER

- Continue to expand and refine its scenario analysis on the risks and opportunities different climate related modelling would have over the short, medium and longer term.
- Identify opportunities to further embedding its climate governance framework, both within LNER, the DOHL Group and the wider industry.
- Explore further collaboration opportunities with related parties to enable a disclosure on risks and opportunities to consider this in a more holistic manner.
- Leverage the TCFD reporting outputs to help engage with customers and colleagues in relation to climate related risks and opportunities.

NTL

- Create a Net Zero strategy detailing ambitious credible carbon reduction trajectories considering wider industry network infrastructure plans.
- Following the publication of the Net Zero Strategy, achieve targets laid out in the strategy.
- Determine a temperature threshold as to where infrastructure and assets are at risk of failure and forecast through the medium to long-term how many days a year this threshold will be breached. Work with Network Rail to plan mitigation measures.
- Examine the impact of increased precipitation on our West Region into the medium and long-term and work with Network Rail to ensure measures are in place to mitigate against the risk of landslips and localised flooding where required.
- Conduct deep analysis to determine which coastal assets are at risk to sea level rise. Engage with external partners such as Network Rail and Local Authorities to determine what plans and measures are in place to protect 'at risk' stations.
- The above will be included in the 2023/24 TCFD report.

SET

- Develop, deliver, and track progress against the actions set to reduce risks and enhance opportunities.

- Finalise a decarbonisation roadmap and submit Science Based Targets.
- Develop actions and plans in to respond to our principal risks and opportunities.
- Set targets and KPIs which will be included in the 2023/24 TCFD report. This process will help to further integrate risks and opportunities into business governance and build knowledge and engagement to enhance the transition to a climate resilient and zero carbon business.
- Share with colleagues the challenges and opportunities the business will likely need to manage to minimise impacts of climate change and realise opportunities associated with the transition to a zero-carbon business by 2050.

Modern Slavery Act

DOHL supports the objectives of the Modern Slavery Act 2015 ("the Act") of eliminating slavery and human trafficking and makes this statement pursuant to section 54(1) of the Act for the financial year ended 31 March 2023. The statement is also made to recognise the importance to approach and improve transparency and prevent slavery and human trafficking from occurring within its supply chain.

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

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

DOHL will seek to ensure:

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

REMUNERATION AND STAFF REPORT

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

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

Directors

No pay rises were awarded in the year. The remuneration related to the financial year 1 April 2022 to 31 March 2023 is stated in the table below.

	Salary/ fees	**Pension and other benefits**	**Year ended 31 March 2023**	Period ended 31 March 2022
	£'000	**£'000**	**£'000**	£'000
Robin Gisby	236	–	**236**	236
Richard Harrison	220	–	**220**	221
Richard George	150	–	**150**	156
Chris Gibb	50	–	**50**	50
Tim Buxton	–	–	**–**	–
John Macquarrie	–	–	**–**	–
Sam Caughey	–	–	**–**	–
Michelle Handforth	–	–	**–**	–
	656	**–**	**656**	664

The Executive Directors do not participate in a bonus scheme.

Employees – Equity, Diversity and Inclusion

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

Diversity Pay Gaps

DOHL TOCs publish their gender pay gap as per statutory obligations, and LNER and NTL report their ethnicity pay gap voluntarily ahead of any statutory obligation. DOHL TOCs have also been challenged to focus on disability equity and to be able to produce a disability pay gap within the next financial year.

This year SET reported for the first time in 2022 since coming into DOHL ownership, a median pay gap of 16.2%, LNER reported a median gap of 15.2%, which marginally increased from the prior year, and NTL reported a median gap of 26% which was an improvement on the prior year. For the ethnicity pay gap, LNER reported a median gap of 8.2% and NTL 21.1%. Further information is available within the TOC’s gender and ethnicity reports which can be found on their websites.

DOHL TOCs are constantly auditing and listening to their people to highlight issues and developing evolving strategies to address imbalances and achieve the diverse, inclusive, accepting, welcoming, safe space they strive for everyone to experience.

Diversity Workforce Representation

Diversity index	LNER 2023	LNER 2022	NTL 2023	NTL 2022	SET 2023	SET 2022
Headcount	**3,014**	3,214	**6,907**	6,952	**4,597**	4,695
Diversity (male)	**57.7%**	58.3%	**81.0%**	81.3%	**79.0%**	80.0%
Diversity (female)	**42.3%**	41.7%	**19.0%**	18.7%	**21.0%**	20.0%
Diversity (ethnicity)	**9.1%**	8.4%	**6.7%**	5.7%	**9.5%**	8.6%

DOHL TOCs have been maturing their EDI strategy over the period of ownership. LNER's comprehensive view of its diversity index is demonstrated below. NTL and SET are working to advance their data strategy to enable a similar breakdown.

LNER	Male Colleagues		Female Colleagues		Ethnically Diverse Colleagues	
Directors	5	50%	5	50%	1	10%
Senior Leaders (Heads of)	30	77%	9	23%	3	8%
Train Drivers	374	88%	51	12%	17	4%
Engineering	68	79%	18	21%	6	7%
Train Manager	209	67%	103	33%	16	5%
All colleagues	1,850	58%	1,394	42%	*297	*9%
Part Time/Full Time Ratio:	84/14					

Moving Forward

While we have made significant strides in our equity, diversity, and inclusion efforts over the year, and can see modest positive improvement towards greater representation, we recognise that this is never a destination but an ongoing journey. We are steadfastly committed to continuously improving and aligning our institutional practices, performance drivers, and capabilities to remove inadvertent systemic preferences and biases. We are resolute in holding ourselves accountable, successful execution of our goals, and accelerate our maturity, as defined by a maturity model that we hope will be adopted across industry. In the coming year, we will focus on:

Representation and Inclusion Goals

- Increasing the representation of underrepresented groups in leadership positions and upper quartile pay roles such as train drivers.
- Achieve gender parity across all levels, with a particular focus on closing the gender and ethnicity gaps in senior leadership roles.
- Enhance representation of ethnically diverse employees in all areas and a specific focus on senior management, driver and engineering grades, ensuring equitable opportunities for career advancement and development.

Pay Equity and Transparency Goals

- Conduct regular pay equity audits to identify and address any gender or ethnicity-based pay gaps, striving for full pay equity across all demographic groups.
- Implement transparent salary bands and promote salary disclosure to ensure fairness and transparency in compensation practices.

- Ensure inclusive rewards and recognition system that recognises and rewards employees based on their contributions, skills, and performance, while mitigating bias.

Inclusive Work Environment Goals

- Foster a culture of belonging by promoting an inclusive work environment where employees feel safe, valued, and respected, evidenced by a high inclusion index.
- Implement bias-mitigating policies and practices throughout the employee lifecycle, including recruitment, performance evaluations, promotions, and succession planning.
- Progress and enhance accessibility and accommodations for colleagues with disabilities, ensuring a barrier-free workplace and providing necessary resources and support.

Colleague Development and Training Goals:

- Enhance our comprehensive diversity and inclusion training to all colleagues, managers and senior leaders, to raise awareness, challenge biases, and promote inclusive behaviours and decision-making.
- Establish mentorship and sponsorship programs to support the career advancement and professional development of underrepresented employees.
- Implement leadership development programs specifically designed for underrepresented groups,

providing the necessary skills and opportunities to prepare them for future leadership roles.

Supplier Diversity and Community Engagement Goals

- Increase procurement from diverse-owned businesses and suppliers, setting goals to TOCs to allocate a targeted level of total spend to diverse suppliers.
- Strengthen community partnerships and philanthropic initiatives that address systemic barriers, support education and skills development, and empower underrepresented communities.
- Implement or at least influence, supplier diversity training and capacity-building programs to promote the growth and success of diverse suppliers within the industry.

These goals demonstrate a strong commitment to equity, diversity, and inclusion while setting ambitious targets that drive meaningful change. We will align these goals to our TOC’s specific context, resources, and industry benchmarks, and will regularly monitor and report progress toward these goals to maintain accountability and transparency.

Social Mobility

The DOHL group of employers focuses on creating great career opportunities for all through delivering Apprenticeships across several different disciplines, as well as focusing on Train Drivers through the industry’s Level 3 standard.

NTL and SET both hold ‘Apprenticeship Main Provider’ status which enables them to increase the range of apprenticeships they can offer to colleagues, as well as provide some services to other companies within the industry. LNER holds the ‘Employer Provider status’ which enables it to deliver full apprenticeships for train drivers internally.

DOHL TOCs social mobility commitments include:

- As far as possible, ensuring entry into driver and engineering roles is only by apprenticeship.
- Exploring and providing as many apprenticeship routes as practicable.
- Supporting Internship Programmes such as Kickstart, Traineeships and the Princes Trust.
- Working with education partners, Job Centres and our colleagues at Network Rail, to deliver other pre-employability programmes, including the Get into Rail SWAP scheme.

	LNER	SET	NTL	DOHL TOCs Total
Apprentices	115 heads: 3.8%	400 heads: 8.7%	666 heads: 9.1%	1,181 heads: 8.2%

Robin Gisby
CEO
17 July 2023

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2023 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 March 2023;

the Consolidated Income statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' and accounting officers' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
17 July 2023

Consolidated Income statement

For the year ended 31 March 2023

		2023	2022
	Note	**£000**	£000
Continuing operations			
Revenue			
Passenger revenue	2	**1,611,353**	961,224
Other revenue	2	**1,245,882**	1,230,679
Total Revenue	2	**2,857,235**	2,191,903
Other operating costs	3	**(2,806,897)**	(2,141,387)
Other Income	6	**17,590**	–
Operating profit		**67,928**	50,516
Finance income	7	**1,716**	97
Finance and similar charges	7	**(44,008)**	(30,677)
Profit before taxation		**25,636**	19,936
Tax on profit	9	**(3,929)**	(5,133)
Profit for the financial year from continuing operations		**21,707**	14,803
Discontinued operations			
Profit from Discontinued Operations	10	**1,748**	7,261
Profit for the financial year		**23,455**	22,064

The income statement has been prepared on the basis that continuing operations and discontinued operations are separately disclosed.

As permitted by Section 408 of the Companies Act 2006, The Company has not presented its own income statement. The profit after tax of the Company for the financial year was £126k (2022: profit of £1,002k).

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

		2023	2022
	Note	**£000**	£000
Profit from continuing operations		**21,707**	14,803
Profit from discontinued operations		**1,748**	7,261
Profit for the year		**23,455**	22,064
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on retirement benefit obligations	27	**132**	(1,784)
Tax on actuarial gain/(loss) on retirement benefit obligations	9	**(313)**	714
Total items that will not be reclassified to profit or loss		**(181)**	(1,070)
Items that may be reclassified to profit or loss:			
Change in fair value of cashflow hedges		**(109)**	–
Total items that may be reclassified to profit or loss		**(109)**	–
Total other comprehensive expense for the year		**(290)**	(1,070)
Total comprehensive income for the year		**23,165**	20,994

Consolidated Statement of Financial Position

As at 31 March 2023

		2023	2022
	Note	**£000**	£000
ASSETS			
Non-current assets			
Intangible assets	11	**18,428**	23,042
Tangible assets	12	**793,371**	1,098,722
Investments	13	**–**	–
Deferred tax asset	18	**1,085**	2,627
		812,884	1,124,391
Current assets			
Inventories	14	**12,941**	13,515
Trade and other receivables: amounts due within one year	15	**359,952**	260,159
Cash at bank and in hand		**263,089**	303,445
		635,982	577,119
Total assets		**1,448,866**	1,701,510
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(582,086)**	(545,275)
Lease liabilities	26	**(350,329)**	(337,789)
Provisions	17	**(12,864)**	–
		(945,279)	(883,064)
Non-current liabilities			
Trade and other payables	16	**(35,229)**	(30,397)
Lease liabilities	26	**(316,355)**	(655,479)
Provisions	17	**(14,037)**	(12,612)

		2023	2022
	Note	**£000**	£000
Deferred tax liability	18	**–**	(362)
Retirement benefit obligation	27	**(3,671)**	(8,466)
		(369,292)	(707,316)
Total liabilities		**(1,314,571)**	(1,590,380)
Net assets		**134,295**	111,130
EQUITY			
Ordinary share capital	21	**–**	–
Capital contribution	22	**16,100**	16,100
Cashflow hedge reserve	22	**(109)**	–
Retained earnings	22	**118,304**	95,030
Total shareholders' funds		**134,295**	111,130

The above consolidated balance sheet should be read in conjunction with the accompanying notes. The financial statements on pages 93 to 188 were approved by the board of Directors on 17 July 2023 and were signed on its behalf by:

Robin Gisby, CEO
17 July 2023, Company number: 07141122

Company Statement of Financial Position

As at 31 March 2023

		2023	2022
	Note	**£000**	£000
ASSETS			
Non-current assets			
Intangible assets	11	**7**	14
Tangible assets	12	**5**	6
Investments	13	**91,589**	68,550
Deferred tax asset	18	**2**	2
		91,603	68,572
Current assets			
Trade and other receivables: amounts due within one year	15	**28,800**	299
Cash at bank and in hand		**43,738**	92,017
		72,538	92,316
Total assets		**164,141**	160,888
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(29,846)**	(49,758)
Total liabilities		**(29,846)**	(49,758)
Net assets		**134,295**	111,130

		2023	2022
	Note	**£000**	£000
EQUITY			
Ordinary share capital	21	**–**	–
Capital contribution	22	**16,100**	16,100
Retained earnings		**118,195**	95,030
Total shareholders' funds		**134,295**	111,130

The above balance sheet for the Company should be read in conjunction with the accompanying notes. For the financial year ended 31 March 2023 the Company was entitled to exemption from a parent company presenting a separate profit and loss account under section 408 of the Companies Act 2006 relating to individual profit and loss account where group accounts are prepared.

The financial statements on pages 93 to 188 were approved by the board of Directors on 17 July 2023 and were signed on its behalf by:

Robin Gisby
CEO
17 July 2023

Company number: 07141122

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

		2023	2022
	Note	**£000**	£000
Cash flows from operating activities	24	**389,742**	466,065
Interest received		**1,716**	97
Corporation tax paid		**(5,549)**	(10,725)
Net cash inflow from operating activities		**385,909**	455,437
Proceeds from held for sale assets		**–**	92,800
Capital grants received		**30,507**	12,489
Purchase of fixed assets		**(72,174)**	(61,841)
Cash (outflow)/inflow from investing activities		**(41,667)**	43,448
Interest paid		**–**	(10)
Principal element of lease payment		**(340,814)**	(264,011)
Interest element of lease payment	26	**(43,784)**	(30,440)
Funding loan repaid to parent	28	**–**	(102,265)
Cash outflow from financing activities		**(384,598)**	(396,726)
Net (decrease)/increase in cash and cash equivalents		**(40,356)**	102,159
Cash and cash equivalents at beginning of year		**303,445**	201,286
Cash and cash equivalents at end of year		**263,089**	303,445

Company Statement of Cash Flows

For the year ended March 2023

		2023	2022
	Note	**£000**	£000
Cash (outflow)/inflow from operation activities	24	**(48,088)**	138,666
Interest received		**23**	–
Interest paid		**(211)**	383
Corporation tax paid		**-**	(98)
Net cash (outflow)/inflow from operating activities		**(48,276)**	138,951
Purchase of fixed assets		**(3)**	(17)
Cash (outflow) from investing activities		**(3)**	(17)
Funding loan repaid to parent	28	**–**	(102,265)
Cash (outflow) from financing activities		**–**	(102,265)
Net (decrease)/increase in cash and cash equivalents		**(48,279)**	36,669
Cash and cash equivalents at beginning of year		**92,017**	55,348
Cash and cash equivalents at end of year		**43,738**	92,017

Consolidated Statement of Changes in Equity

For the year ended 2023

	Ordinary share capital	Capital contribution	Cashflow hedge reserve	Retained earnings	Shareholders' Total funds
	£000	**£000**	**£000**	**£000**	**£000**
As at 1 April 2021	**–**	**16,100**	**–**	**74,036**	**90,136**
Profit for the year	–	–	–	22,064	**22,064**
Other comprehensive expense for the year	–	–	–	(1,070)	**(1,070)**
Total comprehensive income for the year	–	–	–	20,994	**20,994**
As at 1 April 2022	**–**	**16,100**	**–**	**95,030**	**111,130**
Profit for the year	–	–	–	23,455	**23,455**
Other comprehensive expense for the year	–	–	(109)	(181)	**(290)**
Total comprehensive income for the year	**–**	**–**	**(109)**	**23,274**	**23,165**
As at 31 March 2023	**–**	**16,100**	**(109)**	**118,304**	**134,295**

Company Statement of Changes in Equity

For the year ended 31 March 2023

	Ordinary share capital	Capital Contribution	Retained earnings	Shareholders' Total funds
	£000	**£000**	**£000**	**£000**
As at 1 April 2021	**–**	**16,100**	**232,508**	**248,608**
Profit for the year	**–**	**–**	1,002	**1,002**
Other comprehensive expense for the year	**–**	**–**	(138,480)	**(138,480)**
Total comprehensive expense for the year	–	–	(137,478)	**(137,478)**
As at 1 April 2022	–	**16,100**	**95,030**	**111,130**
Profit for the year	–	–	126	**126**
Other comprehensive income for the year	–	–	23,039	**23,039**
Total comprehensive income for the year	**–**	**–**	**23,165**	**23,165**
As at 31 March 2023	**–**	**16,100**	**118,195**	**134,295**

Notes to the Financial Statements

For the year ended 31 March 2023

1 Accounting policies

The Company is a private limited company limited by shares registered in England and incorporated and domiciled in the UK. The address of The Company's registered office is Albany House 8th Floor, 94-98 Petty France, London, SW1H 9EA.The principal activity of DOHL as 'operator of last resort' is to ensure that passenger services can continue to operate in England if a franchise terminates early and is not immediately replaced (through Section 30 legislation). Further descriptions of the Company's principal activities are set out on page 49.

The principal accounting policies are set out below.

a) Basis of Preparation

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

Within the Group's TOC subsidiaries, the Services Agreement with the DfT where the contracted subsidy/ premium payments from/to the DfT reflect the revenue and costs in the business. LNER's service agreement was originally awarded on 24 June 2018 by the Secretary of State for Transport. A revised contract was agreed in June 2020 for LNER to operate trains and stations across the East Coast Main Line until 24 June 2023. The service agreement includes an optional extension of two years and in June 2022 the Secretary of State provided confirmation to the Directors that the extension would be exercised and therefore the contract will continue through to 23 June 2025. NTL's service agreement is in place until 1 March 2025 and SET's is in place until 13 October 2024.

DOHL is wholly owned by the Secretary of State for Transport and is underwritten by the financial security of the UK government. The Secretary of State has set up the Company in connection with the exercise of his statutory duties. In addition to the guaranteed profit margin under the service agreement for the Company's TOCs, a Funding Deed exists between the Company and Secretary of State whereby a loan facility of £440m has been provided to the Company. This has subsequently been increased to £600m post yearend with the TransPennine Express franchise being taken over. The facility term ends six months after all termination of all the Services Agreements. Cashflows prepared, inclusive of the right to earn a pre-defined margin under the service agreements, will see the Group operate within the facility.

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

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

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

Where there is a choice of accounting policy, the one judged to be most appropriate to the particular circumstances of the Company and the Group has been selected. The particular policies adopted by the Company and the Group are described below. They have been applied consistently to items that are considered material to the financial statements. IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts and is effective for accounting periods beginning on or after 1 January 2023. The Company has assessed the impact the new accounting standard will have on the financial statements for the year ending 31 March 2024 and there is no expected impact. There are no other new accounting standards or interpretations which are not yet applied but would be expected to have a material effect on the entity in the current period and on foreseeable future transactions. The financial statements have been prepared on a historical cost basis, except for the following:

- Investments in subsidiaries – measured at fair value
- Defined benefit pension plans – plan assets measured at fair value; and
- Derivative financial instruments – measured at fair value.

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's consolidated income statement.

b) Principles of consolidation

At the end of financial year 2023, in addition to the three TOCs and TF19, DfT OLR Holdings Limited (DOHL) maintain its eleven dormant entities, wholly owned by DfT OLR Holding limited (parent) listed in note 13 and together, forms the "Group".

On 11 May 2023, the Secretary of State announced that from 28th May 2023, TransPennine Express services will transfer ownership from First TransPennine Express Limited to TPT, a subsidiary of DOHL.

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

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

c) Revenue

i) Passenger Rail Services

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

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

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

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

Deferred revenue is generated when passengers purchase tickets for travel in future financial periods. This is then released in the same financial period as they travel. The value of the deferred revenue is reported through the revenue allocation system. Deferred revenue for railcards and open return tickets is calculated by management. Season ticket revenue is deferred and released to the income statement over the period of the relevant season ticket.

ii) Other revenue

Other revenue is generated in the course of the Group's ordinary activities and is derived from car park revenue, commercial property revenue, railway station access revenue, maintenance revenue, on board catering revenue, fuel sales, train leasing income and commissions receivable. 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 revenue is recognised on an accrual basis in accordance with the substance of the relevant agreements.

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

d) Service agreement premium/subsidy

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

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

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

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

e) Performance incentive payments

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

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

f) Taxation

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

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

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

g) Deferred tax

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

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

h) Discontinued operations

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

During the financial year 2022, TF19 exercised its option to sell its entire Class 365 fleet, TF19's main line of rental income. The units were sold on 1 July 2021, resulting in its financial performance as a discontinued operation in the Income Statement for both 2023 and 2022. Discontinued operations are presented in consolidated income statement and this line includes other income from TF19, which comprises compensation for dilapidations, contract settlements and a recovery from the insolvent ER365.

i) Intangible assets

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

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

IT Software	3 – 5 years
Licence costs	The shorter of the licence or the expected life of the Service Agreement
Mobilisation costs Software	Expected life of the Services Agreement

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.

Work in progress assets are not amortised until they are available for use and on completion are transferred to the appropriate asset class.

The need for any impairment write-down is assessed by comparing the carrying value of the asset against the higher of fair value less costs to sell and value in use. Where an impairment event is identified, detailed discounted cashflow forecasts are prepared to assess the value in use and whether an impairment exists.

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.

j) Tangible assets

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

Leasehold improvements and property	3 – 10 years or lease term
Plant and equipment (excluding service agreement residual value (RV) Assets)	3 – 10 years or lease term
Plant and equipment: – service agreement (SA) RV assets	Useful Economic Life (UEL) per SA term
Right of use assets	Expected life of the Service Agreement

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

Work in progress assets are not depreciated until they are available for use and on completion are transferred to the appropriate asset class.

The need for any impairment write-down is assessed by comparing the carrying value of the asset against the higher of net realisable value and value in use. Where an impairment event is identified, detailed discounted cashflow forecasts are prepared to assess the value in use and whether an impairment exists.

k) Right of use assets

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

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

- the initial measurement of the lease liability using the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group will use their incremental borrowing rate;
- the lease payments made before or after commencement, less the lease incentives received;

- an estimate of the costs incurred upon disassembling and eliminating the underlying asset, including restoring the underlying asset to the condition required by the terms of the lease.

After the commencement date the Group measures its right of use assets using a cost model. Right of use assets are depreciated over the shorter of the lease term and the expected period of the Group's current service agreements with the DfT. They are presented as part of tangible assets in note 12.

Corresponding lease liabilities are presented and accounted for as current and non-current liabilities in note 26. The lease liability is initially measured at the present value of future lease payments, discounted using the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group will use the incremental borrowing rate. After the commencement date the Group measures its lease liabilities by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect the lease payments made.

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

The lease liabilities and right of use assets are impacted by the extension of the TOC's Services Agreement, see the critical judgment note 1(t) for further details.

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

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

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

Variable and fixed track access payments are deemed outside the scope of IFRS 16. Access to the track is not exclusive and the Group cannot restrict access to other operators or freight, hence do not obtain substantially all the economic benefits of use, therefore they do not meet the scope of IFRS 16 and are recognised through the consolidated income statement as incurred in operating costs.

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

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

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

Where the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

During the year, the Group has sub-leased some of their rolling stock as a lessor on a short-term basis. These have been accounted for as an operating lease and the rental income recognised in other income.

l) Assets held for sale

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

The asset held for sale is recognised under current assets and measured at the lower of carrying amount and fair value less costs to sell (or on the disposal) of the asset. Immediately prior to classifying an asset or disposal group as held for

sale, an impairment is considered and measured. Any impairment is recognised in accordance with the applicable IFRSs and the Group policy.

m) Inventories

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

n) Investments

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

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

o) Grants

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

p) Retirement benefit obligations

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

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

The Group's method by which the pension accounting reflects the franchising arrangement is the Income Statement Franchise Adjustment Method. The accounting treatment for the terms of the Group's pension scheme is not explicitly considered by IAS 19 Employee Benefits (Revised).

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

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

IFRIC 14 requires that an entity can only recognise a pension surplus where it has an unconditional right to it. Due to the rail franchise contract, the Group will not have a right to any pension surplus at the end of the contract or have an obligation for any pension deficit because this will be passed on to the next train operator. As such, the recognition of any net pension surplus is restricted to nil.

Retirement benefit obligations

Under the policy described above

- The current service cost and gains and losses on settlements and curtailments are recognised in staff pension costs within operating costs in the consolidated income statement.
- Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to the consolidated statement of other comprehensive income in the period in which they arise.

The assets in the scheme are not quoted.

The charges in respect of defined contribution schemes are recognised when they are due.

q) Accounting for participation in Railways Pension Scheme

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

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

r) Provisions

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

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

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

s) Financial instruments

Financial instruments held by the Group are trade and other receivables, trade and other payables, derivative financial instruments 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. Financial instruments are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. IFRS7 disclosures over market risk, liquidity and capital management are shown in note 20.

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The Group designates certain derivatives as cash flow hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in fuel prices.

At the inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income Statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied), the associated cumulative gain or loss is removed from the hedging reserved and is included in the initial carrying value of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is reclassified to the Income Statement in the same period or periods during which the hedged future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated, or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Income Statement immediately.

t) Critical estimates and judgements

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

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

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

i. Pensions – estimate

The determination of the TOCs pension benefit obligation disclosures involve estimation uncertainty as it is dependent on the selection by the Directors of certain assumptions used by actuaries in calculating such amounts. Those assumptions include the discount rate, the annual rate of increase in future salary levels and mortality rates. The Directors' assumptions are based on actual historical experience and external data. While the

Directors believe that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the disclosure of total defined benefit obligations.

The pension assumptions may vary due to actual changes in market conditions following the consolidated statement of financial position date, but IAS 19 requires the assumptions to be set based on the market conditions prevailing at the reporting date. The pension assumptions are also affected by judgments the Directors are required to make on matters that cannot be directly observed from market prices such as life expectancies, future pay increases, harder to value assets and the criteria for bonds to be included in the population from which the discount rate is determined. Note 27 provides information on the sensitivity of pension benefit obligations to changes in assumptions however there is no impact to assets or liabilities.

ii. Pensions – judgement

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

iii. LNER service agreement term assumption estimate

London North Eastern Railway Limited (LNER) operates as a publicly owned train company through a services agreement originally awarded on 24 June 2018 by the Secretary of State for Transport. A revised contract was agreed in June 2020 for LNER to operate trains and stations across the East Coast Main Line until 24 June 2023. The services agreement includes an optional extension of two years and in June 2022 the Secretary of State provided confirmation to the Directors that the extension would be exercised and therefore the contract will continue through to 23 June 2025. At this time the extension has not yet been formally exercised by the Secretary of State for Transport.

The judgement affects these financial statements in respect of reporting for leases under IFRS16 and going concern as follows:

- IFRS16 – At inception of the lease management assesses the lease term. In this assessment management considers options for extension associated with the lease and includes these in the lease term if they are reasonably certain they will be exercised. This judgment over whether extension options will be exercised impacts the lease liabilities and right of use assets recognised on the balance sheet at inception of the lease.

- Going concern – The Services Agreement with the DfT ensures that LNER earns a margin of 1% at Profit Before Tax on total revenue excluding any subsidy received and any disallowed expenses. The expected service agreement extension to 2025 provides LNER with certainty and stability over its operations.

iv. NTL service agreement term assumption estimate

NTL operates as a publicly owned train company through a services agreement originally awarded on 1 March 2020 by the Secretary of State for Transport. A revised contract was agreed in February 2022 (effective from 1 March 2022) for NTL to operate trains and stations across the Northern Network until 1 March 2025, with an option to extend for up to an additional 2 years at the sole discretion of the Secretary of State for Transport. This results in a different assessment of the service agreement than that expected in the prior year and affects these financial statements in respect of reporting for leases under IFRS 16 and going concern as follows:

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

- Going concern – The Services Agreement with the DfT includes a subsidy which ensures NTL earns a margin of 1% at Profit Before Tax, excluding disallowed expenses. The signing of a new service agreement with a service agreement extension to 2025 provides the company with certainty and stability over its operations.

v. SET service agreement term assumption estimate

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

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

- At inception of the lease management assesses the lease term. In this assessment management considers options for extension associated with the lease and includes these in the lease term if they are reasonably certain they will be exercised. This judgment over whether extension options will be exercised impacts the lease liabilities and right of use assets recognised on the balance sheet at inception of the lease.
- Going concern – the Service Agreement with the DfT ensures that the company earns a margin of c.1% at Profit before tax on total revenue, excluding disallowed expenses, throughout the Director's going concern assessment period. SET is 100% owned by the Department for Transport (DfT) OLR Holdings Limited (DOHL) whose ultimate parent undertaking and controlling party is the Secretary of State for Transport and is underwritten for any debts as they fall due by the financial security of the UK government. A funding Deed exists between DOHL and the Secretary of State for Transport whereby a loan facility of £100m has been provided to DOHL. The facility ends six months after termination of SET's Service Agreement.

vi. Accounting for subsidiaries investment judgement

The investments in LNER, NTL, SET and TF19 has been accounted for at fair value. The directors consider that in any transfer of assets between TOCs historical experience evidence, that the starting point for determining the fair value is the net assets of the company at the reporting date. The Directors have considered the assets and liabilities of the investments and have determined that no adjustment to the reported net book value of each investment is necessary to reflect the fair value.

vii. Accounting for transfer of assets – estimate and judgement

At the date of signing these financial statements the transfer agreement has not been finalised between LSER and SET regarding certain physical assets not previously recognised on the balance sheet of LSER, the resolution of which is subject to ongoing commercial negotiations (the valuation of fixed assets, stock and dilapidation provisions have now been agreed with LSER). The net cash consideration settled by LSER during the financial year was £4.8m.

SET has recorded its best estimate of the expected values and whilst the difference between the two parties is currently £3.3m, management do not believe there will be a material difference to the final agreed settlement value to the amounts currently recognised in the financial statements once negotiations are concluded.

viii. Other areas of judgement and accounting estimates

The financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties. Other areas of judgement and accounting estimate are:

- Performance Regimes – whilst performance incentive payments/reimbursements are recognised and presented in accordance to Note 1(e), the value of amounts due to the entities within the Group relating to periods for which claims are yet to be agreed is estimated and claims related to industrial action where Network Rail and staff of the entities within the Group take strike action on the same day are accounted for based on agreed methodology and are included in accrued income (note 15)
- Pay award – at year end there has been no agreement on pay award for the majority of the Group employees relating to the year ended 31 March 2023. Management have accrued the best estimate of the wage award (note 16).

2 Revenue

All revenue originates in the United Kingdom.

The Directors consider that the whole of the activities of the Group constitute a single class of business consisting of passenger, train rental and other related other revenue as disclosed in the income statement. Revenue during the year to 31 March 2023. Financial year 2022 includes six rail periods on SE Trains Limited (traded from 17 October 2021).

Revenue, excluding value added tax (VAT) where applicable, is comprised of:	**2023**	2022
	£000	£000
Passenger revenue	**1,644,729**	972,697
Delay Repay	**(33,376)**	(11,473)
Passenger revenue	**1,611,353**	961,224
DfT service agreement subsidy	**1,095,860**	1,112,363
Other Revenue	**150,022**	118,316
Total Other revenue	**1,245,882**	1,230,679
Total revenue	**2,857,235**	2,191,903

Other revenue comprises of car park income, commercial property income, railway station access income, maintenance and train rental income, fuel sales, on board catering income, commissions receivable.

The service agreement subsidy from the Department of Transport (DfT) to all three TOCs is LNER £96m (2022: £248.2m), NTL £597.7m (2022: £632.6m) and SET £402.2m (2022: £231.5m). As discussed in the DfT service agreement subsidy accounting policy, this is not IFRS 15 revenue.

3 Other Operating costs

Other operating costs is stated after charging/ (crediting):	**2023**	2022
	£000	£000
Staff costs (note 5)	**779,682**	624,496
Other external charges	**465,948**	341,927
Depreciation (note 12)	**386,457**	304,004
Amortisation of intangible assets (note 11)	**9,648**	12,305
Depreciation of capital grant income	**(13,061)**	(5,114)
Inventories recognised as expenses	**94,642**	55,857
Fixed track access	**125,388**	88,166
Fixed depot and station access charges	**133,186**	88,328
Variable access charges	**240,337**	148,649
Other fixed access charges	**132,980**	119,266
Performance incentive (reimbursements)	**(106,827)**	(29,048)
Rolling stock costs	**412,062**	286,090
Traction electricity charge	**113,310**	79,793
Lease items excluded from IFRS 16 (note 26)	**791**	513
Auditors' remuneration – audit fees: DOHL company	**131**	30
Auditors' remuneration – audit fees: Subsidiaries	**759**	680
Auditors' remuneration – non audit services		
– other compliance reporting	**38**	7
British Transport Police charges	**30,930**	22,821
Loss on disposal of intangible assets	**165**	2,195
Loss on disposal of tangible assets	**331**	422
	2,806,897	2,141,387

Rolling stock costs include availability credits of £5.5m (2022: £26.4m).

4 Directors' remuneration

	2023	2022
	£000	**£000**
Emoluments in respect of qualifying services to the Company	**656**	664

The emoluments of the highest paid Director were £236k, relating to the year (2022: £237k), pension contribution of £nil (2022: £514 pounds).

5 Staff costs

	2023	2022
	£000	£000
Wages and salaries	**673,449**	538,709
Social security costs	**67,591**	53,080
Other pension costs	**38,642**	32,707
	779,682	624,496

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

	2023	2022
Managerial and administrative	**1,879**	2,381
Operational	**12,622**	12,185
	14,501	14,566

6 Other Income

	2023	2022
	£000	£000
Sub-lease income	**17,590**	–

7 Finance income and charges

	2023	2022
	£000	£000
Finance income		
Bank interest	**1,716**	97
Other interest received	**–**	–
Total finance income	**1,716**	97
	2023	2022
	£000	£000
Finance charges		
Interest on lease liabilities (IFRS 16)	**(43,784)**	(30,440)
Pension interest charge	**(224)**	(227)
Other interest paid	**–**	(10)
Total finance charges	**(44,008)**	(30,677)

8 Dividend

No dividend was paid or received by DOHL during the financial year 2022-2023 for financial year 2021-2022 (2022: £nil relating to year 2020-2021).

9 Tax on profit

a) Tax recognised in the income statement – Continued operations

	2023	2022
	£000	£000
Current taxation:		
Current tax on profits for the year	**4,949**	5,203
Adjustments in respect of prior years	**(1,000)**	195
	3,949	5,398
Deferred tax:		
Current year	**455**	(22)
Origination and reversal of temporary differences	**(289)**	–
Adjustments in respect of prior years	**(186)**	(243)
Total deferred tax	**(20)**	(265)
Total tax charge reported in the income statement	**3,929**	5,133

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

	2023	2022
	£000	£000
Other comprehensive income/(expense) items:		
Current tax current year (credit)	**(886)**	(830)
Deferred tax current year charge (note: 18)	**1,199**	116
Tax reported outside of the income statement	**313**	(714)

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

The tax assessed for the year is lower (2022: higher) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The tax charge is made up as follows:

	2023	2022
	£000	£000
Profit before taxation	**25,636**	19,936
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	**4,845**	3,790
Fixed asset differences	**1,964**	1,050
Expenses not deductible	**342**	704
Income not taxable for tax purposes	**(2,141)**	(189)
Remeasurement of deferred tax for changes in tax rates	**41**	(547)
Adjustment in respect of prior period – current tax	**(1,134)**	193
Adjustment in respect of prior period – deferred tax	**8**	133
Temporary not recognised in the computation	**5**	-
Other Items	**(1)**	(1)
Total tax charge for the year reported in the income statement	**3,929**	5,133

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2021 Finance Bill included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. The rate increase was substantively enacted on 24 May 2021. Accordingly, deferred tax has been provided at 25%, being the rate at which temporary differences are expected to reverse.

d) Tax recognised in the income statement – Discontinued operations

	2023	2022
	£000	£000
Current taxation:		
Current tax on (loss) for the year	**371**	–
Deferred tax not recognised	**–**	(2,179)
Adjustment in respect of prior years	**–**	(673)
	371	(2,852)
Total tax charge/(credit) reported in the income statement	**371**	(2,852)

10 Discontinued Operations

The sales of TF19's entire fleet on 1 July 2021 resulted in its profit after interest and tax being presented as a discontinued operation for financial year 2023 and 2022.

Other income comprises of further recovery expected from the insolvent Eversholt Rail ER365 Ltd.

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

	2023	2022
	£000	£000
Revenue	**–**	1,598
Other Income	**2,160**	4,597
Total Income	**2,160**	6,195
Other operating costs*	**(41)**	(1,786)
Profit before taxation	**2,119**	4,409
Tax on Profit	**(371)**	2,852
Profit from discontinued operations	**1,748**	7,261

*Auditors' remuneration – audit fees, included in Other operating costs were £24k, (2022: £18k)

Net cash (outflows) from Discontinued operations	**2023**	2022
	£000	£000
Cash (outflow)/inflow from operating activities	**(555)**	3,063
Cash inflow from investing activities	**–**	92,800
Cash (outflow) from financing activities	**–**	(102,265)
Net cash (outflows) from activities: Discontinued operations	**(555)**	(6,402)

11 Intangible assets

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

	Software costs	Mobilisation costs	Work in progress	Total
	£000	**£000**	**£000**	**£000**
Cost				
At 1 April 2022	31,366	969	8,953	41,288
Additions	509	–	6,486	**6,995**
Transfer from WIP	7,078	–	(7,078)	**0**
Disposals	(2,067)	–	(1,796)	**(3,863)**
At 31 March 2023	**36,886**	**969**	**6,565**	**44,420**
Accumulated amortisation				
At 1 April 2022	17,975	271	–	18,246
Amortisation charged to the income statement	9,383	265	–	**9,648**
Disposals	(1,902)	–	–	**(1,902)**
At 31 March 2023	**25,456**	**536**	**–**	**25,992**
Net book value				
At 31 March 2022	13,391	698	8,953	23,042
At 31 March 2023	**11,430**	**433**	**6,565**	**18,428**

The Company reported additions to software costs of £nil (2022: £10,000) in the year, bringing costs at 31 March 2023 to £20k. The net book value at 31 March 2023 was £7k (2022: £14k).

12 Tangible assets

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

	Leasehold land and buildings	Plant and equipment	Right of Use	Work in progress	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At 1 April 2022	16,396	111,799	1,564,081	33,556	1,725,832
Transfer In	–	1,680	–	–	1,680
Remeasurement IFRS 16	–	–	14,518	–	**14,518**
Additions	1,054	489	61	63,636	**65,240**
Transfer from WIP	2,844	62,591	–	(65,435)	**–**
Disposals	(486)	(1,648)	(911)	–	**(3,045)**
At 31 March 2023	**19,808**	**174,911**	**1,577,749**	**31,757**	**1,804,225**
Accumulated depreciation					
At 1 April 2022	3,146	32,056	591,908	–	627,110
Depreciation charged to the income statement	2,186	31,334	352,937	–	**386,457**
Disposals	(263)	(1,539)	(911)	–	**(2,713)**
At 31 March 2023	**5,069**	**61,851**	**943,934**	**–**	**1,010,854**

	Leasehold land and buildings	Plant and equipment	Right of Use	Work in progress	Total
	£000	**£000**	**£000**	**£000**	**£000**
Net book value					
At 31 March 2022	13,250	79,743	972,173	33,556	1,098,722
At 31 March 2023	**14,739**	**113,060**	**633,815**	**31,757**	**793,371**

Under IFRS16, Right of Use (RoU) net book value totalled £633.8m (2022: £972m), of which £627.4m (2022: £959.3m) related to rolling stock leases (note: 22). RoU assets reflects any changes to the service agreements term assumption. The remeasurement in the year primarily relates to extension and payment and payment term charge in respect of rolling stock leases and payment term reduction in office lease.

The Company had no Right of Use assets.

The Company's reported additional plant and equipment costs of £3k (2022: £7k) in the year bringing total costs at 31 March 2023 of £34k, a net book value of £5k.

13 Investments

The Group held the following unlisted investments at 31 March 2023. The principal activity of the below are companies is to provide a range of services to all UK passenger rail operators, each of which has an equal share in the companies.

Name of company	Country of registration	Class of share	No. of shares held			Proportion held
			1 Apr 2022	Additions	31 Mar 2023	
ATOC Limited	UK	Ordinary (4p)	3	-	3	15%
Rail Settlement Plan Limited	UK	Ordinary (4p)	3	-	3	15%
Rail Staff Travel Limited	UK	Ordinary (4p)	3	-	3	15%
NRES Limited	UK	Ordinary (£1)	3	-	3	15%

The Group holds an investment in associate 25.8% (2022: 25.8%) of the ordinary share capital in West Yorkshire Ticketing Company Limited which is incorporated in the UK and is owned by a number of operators. The company coordinates and manages the ticketing scheme by selling and promoting transport tickets on behalf of the West Yorkshire Combined Authority. Total equity and profits are not material and therefore have note been reflected as a sperate note.

Details of investments in the Company's subsidiaries as at 31 March 2023 and as at 31 March 2022 are as follows, DOHL holds 100% ownership of each subsidiary:

				Fair value	
Name of company	**Country of registration**	**No. of shares held**	**Class of share**	**Company 2023**	Company 2022
				£'000	£'000
London North Eastern Railway Ltd**	UK	1	Ordinary (£1)	37,286	31,714
SE Trains Ltd**	UK	1	Ordinary (£1)	10,793	3,330
Train Fleet (2019) Ltd	UK	16,100,100	Ordinary (£1)	7,983	6,401
Northern Trains Ltd**	UK	1	Ordinary (£1)	35,527	27,105
Greater Western Railway Ltd*	UK	1	Ordinary (£1)	-	-
South Western Railway Ltd*	UK	1	Ordinary (£1)	-	-
Cross Country Rail Ltd*	UK	1	Ordinary (£1)	-	-
C2C Railway Ltd*	UK	1	Ordinary (£1)	-	-
Railway West Coast Ltd*	UK	1	Ordinary (£1)	-	-
GA Trains Limited Ltd*	UK	1	Ordinary (£1)	-	-
TransPennine Trains Ltd*	UK	1	Ordinary (£1)	-	-
Chiltern Rail Ltd*	UK	1	Ordinary (£1)	-	-
WM Trains Ltd*	UK	1	Ordinary (£1)	-	-
Midlands East Trains Ltd*	UK	1	Ordinary (£1)	-	-

				Fair value	
Name of company	**Country of registration**	**No. of shares held**	**Class of share**	**Company 2023**	Company 2022
				£'000	£'000
Thameslink Southern Great Northern Ltd*	UK	1	Ordinary (£1)	**-**	**-**
Total Investments				**91,589**	**68,550**

* Combined investment, less than £1.5k

**LNER registered address: East Coast House 25, Skeldergate, York, England, YO1 6DH

SET registered address: Second Floor, 4 More London Riverside, London, England, SE1 2AU.

NTL registered address: George Stephenson House, Toft Green, York, United Kingdom, YO1 6JT.

The subsidiary investments in the Statement of Financial Position are stated at fair value. Investments' fair values are determined by reference to the net assets reported by the company at the reporting date, refer to note 1(t) for further details of the critical judgement. Therefore the fair value is under level 3 of the IFRS 13 hierarchy. The significant unobservable inputs are the reported net assets. The amount recognised in the Company income statement as a result of the change in fair value is a gain of £23.2m (2022: loss of £139.5m). The level 3 inputs reflect the assumptions that market participants would use when pricing the investments.

The registered address for all 100% owned dormant subsidiaries is Great Minster House, 2nd Floor Franchise Resilience And Mobilisation Team, 33 Horseferry Road, London, England, SW1P 4DR.

14 Inventories

	Group		**Company**	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Raw materials and consumables	12,941	13,515	-	-

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 £94.6m (2022: £55.9m). A reversal of inventories write-off and costs write down is recognised as an expense and included in operating costs during the year amounted to £2.9m (2022: write off £3.3m)

15 Trade and other receivables: amounts due withing one year

	Group		Company	
	2023	2022	**2023**	2022
Amounts falling due within one year:	**£000**	£000	**£000**	£000
Trade receivables:				
Rail Settlement Plan	**65,350**	69,200	**-**	-
Other trade receivables	**72,130**	47,889	**55**	-
	137,480	117,089	**55**	-
Amounts owed by group undertakings	**-**	1,998	**-**	-
Group relief	**-**	-	**-**	8
Value Added Tax receivable	**65,721**	31,310	**28,532**	5
Prepayments	**94,079**	66,427	**17**	19
Accrued income	**29,427**	29,861	**-**	-
Corporation tax	**10,625**	7,870	**191**	225
Other receivables	**22,620**	5,604	**5**	42
	359,952	260,159	**28,800**	299

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

Prepayments includes a highspeed (HS1) track access payment, paid for quarterly in advance £50m (2022: £45.9m).

Accrued income includes a receipt due from the DfT of £22.5m (2022: £nil) representing the difference between final amounts due and the forecasted amounts claimed for the DfT service agreement subsidy.

16 Trade and other payables

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Trade payables	**165,925**	232,009	**252**	31
Amounts owed to group undertakings	**455**	-	**28,903**	49,622
Deferred season ticket income	**25,484**	21,597	**-**	-
Other taxation and social security	**18,784**	16,336	**56**	49
Other payables	**18,588**	12,603	**445**	3
Accruals	**227,489**	156,343	**190**	53
Derivative financial instruments	**109**	-	**-**	-
Deferred income	**109,926**	97,246	**-**	-
Deferred capital grant income	**15,326**	9,141	**-**	-
Corporation tax payable	**-**	-	**-**	-
	582,086	545,275	**29,846**	49,758

Amounts falling due after more than one year:				
Deferred capital grant income	**35,229**	30,397	**-**	-

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

Trade payables includes a payment due to the DfT of £29.8m (2022: £91.2m) representing the difference between final amounts due and the forecasted amounts claimed for the DfT service agreement subsidy.

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

17 Provisions

	Group		**Company**	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Insurance claims (a)	**2,800**	975	**-**	-
Dilapidation (b)	**18,775**	11,637	**-**	-
Tribunal (c)	**5,326**	-	**-**	-
	26,901	12,612	**-**	-

	Group		Company	
	2023	2022	**2023**	2022
Provision analysed as:	**£000**	£000	**£000**	£000
Current Provisions				
Insurance claims	**1,184**	-	**-**	-
Dilapidations	**6,354**	-	**-**	-
Tribunal	**5,326**	-	**-**	-
	12,864	-	**-**	-
Non-current Provisions				
Insurance claims	**1,615**	975	**-**	-
Dilapidations	**12,422**	11,637	**-**	-
	14,037	12,612	**-**	-
	26,901	12,612	**-**	-

a) Insurance claims

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
At start of year	**975**	762	**-**	-
Charged to the income statement	**2,658**	631	**-**	-
Unused amounts reversed	**(761)**	(363)	**-**	-
Utilised in year	**(72)**	(55)	**-**	-
Provision at end of year	**2,800**	975	**-**	-

The £2.8m (2022: £1.6m) provision relates to customer and employee claims against the Group's passenger rail service subsidiaries for compensation for injuries occurring whilst on the subsidiaries' property. Payments are expected to be made in respect of these claims as they are settled, which is typically within 5 years of origination, but the nature of the settlement process makes the timing of these payments uncertain. Estimates of claim values are based on actuarial reviews and prior claims history.

b) Dilapidations

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£'000
At start of year	**11,637**	-	**-**	-
Provision transferred in from LSER	**375**	6,408	**-**	-
Provision transferred in from Lessor	**-**	3,844	**-**	-
Charged to the income statement	**9,102**	1,385	**-**	-
Utilised in year	**(2,339)**	-	**-**	-
Provision at end of year	**18,775**	11,637	**-**	-

The Group provides for property and fleet dilapidations, where appropriate, The provisions are based on management's assessment of the most probable outcomes, supported where appropriate by valuations from professional external advisors. Provisions transferred relates to SET (see note 25)

Included within SET dilapidations is £2.1m (2022: £3.8m) which has been received in cash from the lessor. When SET entered into the new train leases with the Roscos, they also took on the dilapidation obligations. To compensate for this, the lessor advanced these monies which have been treated as lease incentive payments to restore the trains back to their working condition for the remainder of the life of the lease.

Depot dilapidation provision transferred in from LSER is stated at cost based on the directors' best estimate £6m (2022: £5.8m), refer to note 1 (vii) for accounting for transfer of assets judgement.

c) Tribunal

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
At start of year	**-**	-	**-**	-
Charged to the income statement	**5,326**	-	**-**	-
Provision at end of year	**5,326**	-	**-**	-

The Tribunal provision £5.3m (2022: £Nil) represents the estimated liability including legal fees associated with claims against LNER for contravention of section 145B of the Trade Union and Labour Relations (Consolidation) Act 1992 relating to a pay rise implemented by LNER's predecessor franchise. This tribunal is awaiting the outcome of an Appeal which is expected during 2023/24.

18 Deferred Tax

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

Deferred tax asset:	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Fixed assets	**-**	-	**(2)**	(2)
Accelerated capital allowances	**1,085**	(319)	**-**	-
Tax credit and loss carry forward	**(784)**	-	**-**	-
Short-term provision	**(468)**	(192)	**-**	-
Defined benefit pension	**(918)**	(2,116)	**-**	-
Deferred tax asset	**(1,085)**	(2,627)	**(2)**	(2)

Deferred tax liabilities:	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Accelerated capital allowances	**-**	744	**-**	-
Short-term provision	**-**	(382)	**-**	-
Defined benefit pension	**-**	-	**-**	-
Deferred tax Liabilities	**-**	362	**-**	-
Net Deferred tax Asset	**(1,085)**	(2,265)	**(2)**	(2)

The movement in deferred tax during the year was:

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
At beginning of year	**(2,265)**	(2,116)	**(2)**	(2)
Credit to income statement	**(20)**	(265)	**-**	-
Other items	**1**	-	**-**	-
Charge to OCI (note 9c)	**1,199**	116	**-**	-
Deferred tax provision	**(1,085)**	(2,265)	**(2)**	(2)

Deferred tax assets and liabilities are assessed for the year using the standard effective rate of corporation tax in the UK of 25% (2022: 19%).

19 Financial instruments

	Group		Company	
	2023	**2022**	2023	2022
	£000	**£000**	£000	£000
Financial assets measured at amortised cost				
Cash and cash equivalents	**263,089**	303,445	**43,738**	92,017
Trade receivables	**137,480**	117,089	**55**	-
Other debtors	**52,047**	35,465	**5**	42
Amounts owed by Group undertakings	**-**	1,998	**0**	-
	452,616	457,997	**43,798**	92,059
Financial liabilities measured at amortised cost				
Trade creditors	**165,925**	232,009	**252**	31
Other liabilities (current)	**57,045**	34,202	**445**	4
Other liabilities (non-current)	**17,708**	21,078	**-**	-
Accrued expenses	**227,489**	156,343	**190**	53
Lease liabilities	**666,684**	993,268	**-**	-
Amounts owed to Group undertakings	**455**	-	**28,903**	49,622
	1,135,306	1,436,900	**29,790**	49,710

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

Fair value hierarchy

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

20 Financial risk management

Overview

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

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

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

Risk management framework

The Board is continually reviewing the exposure to liquidity and cash flow risk. For the year ended 31 March 2023 the Group and Company's risk management controls operated well and the Group and Company were not exposed to any significant risk in these areas.

Credit risk

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

Exposure to credit risk

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

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

Liquidity risk

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

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

No financial liabilities have maturity beyond five years.

Market risk

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

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

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

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

The Group has no material exposure to commodity risk due to the insignificant value of financial instruments. To mitigate against future exposure to volatile fuel prices, NTL has started to hedge a proportion of its fuel costs into 2023/24 which will provide stability in fuel costs and allow for better financial planning and cashflow management.

Capital management

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

The Group manages its capital structure in light of changes in economic and market conditions. The total equity attributable to the equity holder of the Group comprises capital, other distributable and non-distributable reserves and retained earnings totalling £134.3m as at 31 March 2023 (2022: £111.1m).

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

21 Ordinary share capital

	Group and Company	Group and Company
	2023	2022
	£	£
Authorised and issued share capital unpaid		
Ordinary shares of £1 each	**1**	1

22 Reserves

A reconciliation of the movements in reserves is shown in the Consolidated Statement of Changes in Equity on page 102 and (the Company on page 104). The balance held in the retained earnings reserve includes the accumulated retained profits of the Group.

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

To mitigate against future exposure to volatile fuel prices, NTL started to hedge a proportion of its fuel costs into 2023/24 which will provide stability in fuel costs and allow for better financial planning and cashflow management. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve.

23 Capital commitments

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Contracted	**22,139**	26,796	**-**	**-**
Authorised but not contracted	**26,187**	28,122	**-**	**-**
Total	**48,326**	54,918	**-**	**-**

Capital commitments relate to capital projects that the Group is committed to or has approved but not yet contracted as at 31 March 2023, the cost to be incurred over the remaining capital project timeline.

24 Cash flows from operating activities

a) Consolidated Cash flows from operating activities

	Note	**2023**	2022
		£000	£000
Profit before taxation on continued operation		25,636	19,936
Profit before taxation on discontinued operation	9	2,119	4,409
Total Profit before taxation		**27,755**	24,345
Adjustments for:			
Depreciation and amortisation	3	**383,044**	314,482
Net loss on sale of fixed assets		**496**	2,617
Finance (income)/costs – net	6	**(1,492)**	140
Lease interest expense	25	**43,784**	30,440
(Increase) in trade receivables		**(20,390)**	(91,132)
Decrease/(increase) in inventories		**574**	(5,997)
(Increase)/decrease in other operating assets		**(79,399)**	36,833
(Decrease)/increase in trade creditors		**(76,910)**	152,836
Increase in operating liabilities		**97,991**	24,589
Increase/(decrease) in other provisions		**14,289**	(23,088)
Cash flows from operating activities		**389,742**	466,065

Consolidated cash flows from operating activities during financial year 2023, comprised of a full thirteen period rail year across the Group. SET commenced trading on 17th October 2022, resulting in six rail periods of cashflow from operating activities in the comparison year 2022.

b) Company Cash flows from operating activities

	2023	2022
	£000	£000
Profit before taxation	**159**	1,256
Adjustments for:		
Depreciation and amortisation	**11**	12
Finance costs/(Finance income) – net	**188**	(357)
(Increase) in trade receivables	**(54)**	-
(Increase) in other operating assets	**(28,445)**	(23,526)
Increase/(decrease) in trade creditors	**185**	(53)
(Decrease)/increase in operating liabilities	**(20,132)**	34,069
Working Capital – subsidiary funding inflow net	**-**	127,265
Cash (outflow)/inflow from operation activities	**(48,088)**	138,666

Working capital funding loans from DOHL to its subsidiary during financial year was £nil (2022: £127m). TF19 settled its outstanding balance, £102m after its sale of its Class 365 fleet. Group related parties transaction are eliminated in consolidated accounts.

25 Transfer Agreement

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

On 17 October 2021, LSER ceased operations and the SET began operating under a Service Agreement with the Department for Transport. On that date the Franchise assets and liabilities were transferred to SET, at values to be agreed between the parties. The valuation of fixed assets, stock and dilapidation provisions have now been agreed with LSER and the only matter that remain outstanding is LSER's claim for certain physical assets, not previously recognised on the balance sheet of LSER, the resolution of which is subject to ongoing commercial negotiation. The net cash consideration settled by LSER during the financial year was £4.8m. Cash settled is reported within the movement of inventory and operating liabilities in the Consolidated statement of cash flows.

A balance of £1.0m (2022: £4.3m) is still owing at the balance sheet date and is included in the calculation of other receivables. This comprises of agreed value yet to be settled (£0.7m) and value still subject to commercial negotiation (£0.3m). The table below sets out the amounts which have been recognised upon transfer.

	Year 2022/23	**Year 2021/22**	**Change**
	Transfer value	Transfer value	Transfer value
	£'000	£'000	£'000
Agreed value – Settled			
Deferred Season Ticket income	**(17,061)**	(17,061)	-
Prepayments	**35,606**	35,606	-
Other receivables	**71**	75	(4)
Cash on hand	**1,051**	1,049	2
Other payables	**(928)**	(931)	3
Deferred income	**(27,962)**	(27,962)	-
Admin building dilapidation	**(652)**	(652)	-
Annual leave provision	**(2,416)**	(2,416)	-
	(12,291)	(12,292)	1

	Year 2022/23	**Year 2021/22**	**Change**
	Transfer value	Transfer value	Transfer value
	£'000	£'000	£'000
Agreed value – Unsettled (as at 31 March 2023)			
Tangible Fixed assets – Solar	**1,854**	1,854	-
Tangible Fixed assets	**1,930**	250	1,680
Intangible Fixed assets	**200**	200	-
Deferred income	**(2,243)**	(2,223)	(20)
Depot Dilapidations	**(6,131)**	(5,756)	(375)
Inventories	**5,080**	4,843	237
	690	(832)	1,522
Subject to commercial negotiation			
Other physical assets	**317**	317	-
	317	317	-

26 Leases liabilities

	Rolling Stock	**Land & Buildings**	**Plant & Machinery**	**Total**
Lease liabilities	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2022	981,086	10,887	1,295	993,268
Additions	-	61	-	**61**
Remeasurement	13,707	449	13	**14,169**
Interest	43,674	100	10	**43,784**
Repayment of lease liabilities	(378,835)	(5,132)	(631)	**(384,598)**
Balance at 31 March 2023	**659,632**	**6,365**	**687**	**666,684**

	Rolling Stock	**Land & Buildings**	**Plant & Machinery**	**Total**
	£000	**£000**	**£000**	**£000**
Current lease liabilities	343,740	6,109	480	**350,329**
Non-current lease liabilities	315,892	256	207	**316,355**
Total lease liabilities	**659,632**	**6,365**	**687**	**666,684**

Right of use assets	**Rolling Stock**	**Land & Buildings**	**Plant & Machinery**	**Total**
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2022	959,256	11,582	1,335	972,173
Additions	-	61	-	**61**
Remeasurement	14,056	449	13	**14,518**
Depreciation for the year	(345,922)	(6,330)	(685)	**(352,937)**
Balance at 31 March 2023	**627,390**	**5,762**	**663**	**633,815**

	Rolling Stock	**Land & Buildings**	**Plant & Machinery**	**Total**
	£000	**£000**	**£000**	**£000**
Lease amounts recognised in operating costs:				
Leases of low value assets	9	28	754	**791**
Total	**9**	**28**	**754**	**791**

Right of use assets comprise rolling stock, offices and other property leases plus depot equipment. Included in rolling stock right of use assets are the new LNER's Azuma fleet in addition to part of the legacy fleet retained at year end for all three TOCs. The Azuma lease continues until 2046 and SET rolling stock leases to 2024. The remeasurement in the year primarily relates to extension and payment term charge in respect of rolling stock leases and payment term reduction in office lease. Repayment in lease liabilities is equal to total cash outflow.

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

27 Retirement benefit obligations

The Company’s subsidiary, LNER, NTL and SET 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 Group is only responsible for a share of the cost. The figures reported below therefore represent only the Group’s share of costs, except that the tables reconciling the Section’s Defined Benefit Obligations (DBO) and assets from start to end of the year are presented before the deduction of the members’ share of the defined benefit cost, or the surplus or deficit. The exception is for the income statement items to be the Group’s share only in line with the income statement expense table. This is for simplicity of presentation and for consistency with the DBO and assets quoted in the table showing the pension scheme liability or asset at the end of the year. The Section is open to new members.

Employer contributions for the period ended 31 March 2023 and 31 March 2022 are;

Section Pay	**LNER**	LNER	**NTL**	NTL	**SET**	SET
	2023	2022	**2023**	2022	**2023**	2022
Category 60 Members	**11.70%**	11.70%	**13.7%**	13.70%	**10.92%**	10.92%
Category 62 Members	**10.32%**	10.32%	**12.20%**	12.20%	**9.42%**	9.42%
Category 64 Members	**9.90%**	9.90%	**n/a**	n/a	**n/a**	n/a

These rates are expected to be reviewed as part of the 31 December 2019 triennial valuation.

The trustees complete a full actuarial valuation triennially, separately for each section of the RPS, but the obligation is updated annually by independent actuaries using the projected unit credit method for financial reporting purposes. The level of contributions paid by the Group is in line with the latest certified schedule of contributions which was signed in 2013. The 2016 and 2019 funding valuations of the RPS have not yet been signed. Work has commenced on the 2022 triennial valuation which is required to be signed of by 31 March 2024.

The discounted mean term of the Section's DBO was 19 years at the end of the reporting year. All the assets are unquoted in the financial statements.

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

Membership data:

	LNER	LNER	**NTL**	NTL	**SET**	SET
	2023	2022	**2023**	2022	**2023**	2022
Active members	**2,974**	2,929	**6,793**	6,774	**4,633**	4,659
Deferred members	**4,031**	3,927	**3,302**	3,310	**2,757**	3,045
Pensioner members (including dependants)	**2,474**	2,196	**3,790**	3,628	**3,117**	3,286

Asset Data:

	LNER	**NTL**	**SET**	**Total**
At 31 March 2023	**£000**	**£000**	**£000**	**£000**
Growth assets	**612,908**	**1,157,769**	**887,701**	**2,658,378**
Property	**-**	**196**	**-**	**196**
Other assets	**118,716**	**219,148**	**165,938**	**503,802**
Total asset value	**731,624**	**1,377,113**	**1,053,639**	**3,162,376**

	LNER	NTL	SET	Total
At 31 March 2022	£000	£000	£000	£000
Growth assets	668,104	1,245,687	966,018	2,879,809
Other assets	96,001	176,208	132,858	405,067
Total asset value	764,105	1,421,895	1,098,876	3,284,876

	31 March 2023	31 March 2022
	% pa	% pa
Discount rate	**4.75**	2.65
Future price inflation (RPI measure)	**3.25**	3.60
Future price inflation (CPI measure)	**2.90**	3.30
Pension increases (CPI measure)	**2.90**	3.30
Pensionable Salary increases	**3.25**	3.60

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

As at 31 March	**LNER**	LNER	**NTL**	NTL	**SET**	SET
	2023	2022	**2023**	2022	**2023**	2022
Male currently aged 65	**20.4**	20.4	**20.4**	20.4	**20.4**	20.4
Male currently aged 45	**21.7**	21.7	**21.7**	21.8	**21.7**	21.7
Female currently aged 65	**22.6**	22.6	**22.6**	22.7	**22.6**	22.6
Female currently aged 45	**24.2**	24.2	**24.2**	24.3	**24.2**	24.2

Defined benefit asset at end of year:

	LNER	**NTL**	**SET**	**Total**
At 31 March 2023	**£'000**	**£'000**	**£'000**	**£'000**
Defined benefit obligation at end of year	**(354,780)**	**(915,448)**	**(657,147)**	**(1,927,375)**
Active members	**(145,918)**	**(157,739)**	**(126,019)**	**(429,676)**
Deferred members	**(183,975)**	**(258,867)**	**(250,677)**	**(693,519)**
Pensioner members (incl. dependants)	**(684,673)**	**(1,332,054)**	**(1,033,843)**	**(3,050,570)**
Total defined benefit obligation	**731,624**	**1,377,113**	**1,053,639**	**3,162,376**
Fair value of assets at end of year	**(18,780)**	**(18,023)**	**(7,918)**	**(44,721)**
Adjustment for the members' share of surplus	**(28,171)**	**(30,707)**	**(11,878)**	**(70,756)**
Surplus expected to be recovered after end of current service period (Franchise adjustment)	**-**	**(3,671)**	**-**	**(3,671)**

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

Reconciliation of net defined benefit obligation:

	LNER	NTL	SET	Total
	£000	**£000**	**£000**	**£000**
Opening net defined (obligation) liability 1 April 2022	-	(8,466)	-	(8,466)
Employer's share of P&L expense	**(7,959)**	**(18,402)**	**(12,317)**	**(38,678)**
Employers' contributions	**7,959**	**23,065**	**12,317**	**43,341**
Total gain recognised in OCI	**-**	**132**	**-**	**132**
Closing net defined benefit obligation at 31 March 2023	**-**	**(3,671)**	**-**	**(3,671)**

Profit & Loss (P&L) for the year ended 31 March 2023:

	LNER	NTL	SET	Total
	£000	**£000**	**£000**	**£000**
Employer's share of service costs	**26,090**	**63,911**	**43,988**	**133,989**
Franchise adjustment to service cost	**(19,848)**	**(48,084)**	**(33,879)**	**(101,811)**
Employer's share of administration cost	**1,717**	**2,351**	**2,208**	**6,276**
Total employer's share of service cost	**7,959**	**18,178**	**12,317**	**38,454**
Employer's share of net interest on net defined benefit asset	**4,051**	**8,210**	**7,043**	**19,304**
Interest on franchise adjustment	**(4,051)**	**(7,986)**	**(7,043)**	**(19,080)**
Employer's share of P&L expense	**7,959**	**18,402**	**12,317**	**38,678**

Profit & Loss (P&L) for the year ended 31 March 2022:

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

Other comprehensive income (OCI):

	LNER	**NTL**	**SET**	**Total**
For the year ended March 2023	**£000**	**£000**	**£000**	**£000**
Gain due to financial assumptions	**(88,691)**	**(405,033)**	**(134,683)**	**(628,407)**
Loss due to DBO experience	**68,569**	**367,563**	**105,131**	**541,263**
Return on plan assets less than discount rate	**20,122**	**37,338**	**29,552**	**87,012**
Total gain recognised in the OCI for the year ended March 2023:	**-**	**(132)**	**-**	**(132)**

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

The actuarial gain or loss due to financial assumptions includes movement in the deficit expected to be recovered after the end of the current service period and or IFIRC 14.

Reconciliation of defined benefit obligation (DBO) for the year ended 31 March 2023:

	LNER	NTL	SET	Total
	£000	£000	£000	£000
Opening defined benefit obligation at 1 April 2022	1,023,918	1,955,229	1,550,147	4,529,294
Service cost	26,090	63,911	43,988	133,989
Interest cost on DBO	16,104	30,765	24,397	71,266
Franchise adjustment to service cost	(19,848)	(48,084)	(33,879)	(101,811)
Interest on franchise adjustment	(4,051)	(7,986)	(7,043)	(19,080)
Employee contributions	5,165	15,146	8,105	28,416
Gain/(Loss) on DBO – experience	114,283	223,502	175,220	513,005
Gain/(Loss) on DBO – financial assumptions	(454,584)	(859,462)	(695,540)	(2,009,586)
Benefit payments	(22,404)	(40,967)	(31,552)	(94,923)
At end of year 31 March 2023	**684,673**	**1,332,054**	**1,033,843**	**3,050,570**

Reconciliation of value of assets for year ended March 2023:

	LNER	NTL	SET	Total
	£000	**£000**	**£000**	**£000**
Opening value of section assets at 1 April 2022	**764,105**	**1,421,895**	**1,098,876**	**3,284,876**
Interest income on assets	**12,053**	**22,555**	**17,354**	**51,962**
Return on plan assets greater than discount rate	**(33,537)**	**(62,230)**	**(49,253)**	**(145,020)**
Employer's contributions	**7,959**	**23,065**	**12,317**	**43,341**
Employee contributions	**5,165**	**15,146**	**8,105**	**28,416**
Actual benefit payments	**(22,404)**	**(40,967)**	**(31,552)**	**(94,923)**
Administration costs	**(1,717)**	**(2,351)**	**(2,208)**	**(6,276)**
Closing value of section assets at 31 March 2023	**731,624**	**1,377,113**	**1,053,639**	**3,162,376**

DBO sensitivity to significant actuarial assumptions:

	Sensitivity	Approximate change in DBO			
		LNER	NTL	SET	Total
	£000	£000	£000	£000	£000
Discount rate	**-0.25% p.a.**	136,800	266,083	208,300	611,183
	+0.25% p.a.	(109,000)	(215,578)	(167,200)	(491,778)
Price inflation (CPI measure) *	**-0.25% p.a.**	(108,500)	(214,162)	(166,200)	(488,862)
	+0.25% p.a.	129,800	251,596	196,700	578,096
Salary increases	**-0.25% p.a.**	(7,800)	(18,683)	(13,500)	(39,983)
	+0.25% p.a.	8,100	19,275	13,900	41,275
Life expectancy	**-1 year**	(20,500)	(41,294)	(31,000)	(92,794)
	+1 year	20,500	41,294	31,000	92,794

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

The sensitivity figures are as at 31 March 2023. 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 financial statements.

Projected cost recognised in income statement:

	LNER	NTL	SET	Total
	£000	**£000**	**£000**	**£000**
Employer's share of service cost	**15,347**	**35,799**	**26,127**	**77,273**
Franchise adjustment to service cost	**(8,455)**	**(18,061)**	**(14,980)**	**(41,496)**
Employer's share of administration cost	**1,766**	**2,419**	**2,272**	**6,457**
Employer's share of net interest on net defined benefit (asset)	**(1,477)**	**(1,767)**	**(797)**	**(4,041)**
Interest on service period adjustment	**1,477**	**1,942**	**797**	**4,216**
Closing value of section assets at 31 March 2024	**8,658**	**20,332**	**13,419**	**42,409**

28 Related party disclosures

DfT OLR Holdings Limited is a company wholly owned by the Secretary of State for Transport. A Funding Deed exists between the Company and Secretary of State whereby a loan facility of £600m has been provided to the Company. The facility term ends six months after all termination of all the Services Agreements. At the 31 March 2023, the Company had no outstanding balances owed to or from the Secretary of State for Transport (2022: £nil, outstanding loan). During the comparison year the Company repaid its loan balance with the Secretary of State, £0.1m after the sale of TF19 Class 365.

The Company's subsidiaries, London North Eastern Railway Limited (LNER) Northern Trains Limited and SE Trains Limited (SET), operates rail franchise under licence under a services agreement with the Department for Transport. Under the services agreement both companies are required to make a or receive a 'Fixed service payment' to or from the Department for Transport. For the year to 31 March 2023 all three TOCs received a service agreement subsidy; LNER, £96m (2022: £248m), NTL, £597.7m (2022: £633m) and SET, £402.2m (2022: £232m, commenced trading 17 October 2021). Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Network Rail is one of Group's main industry stakeholders, owned by the Secretary of State for Transport. Transactions between them and the Group are at arm lengths and are not classed as related party transactions. During the financial year 2023 approximately, £395.5m (2022: £358.3m) for services was paid to NR. Capital project funding was also received, net of capital costs, of £9.3m (2022: £12.5m). As at the 31 March 2023, balances with Network Rail included receivables of £36.8m (2022: £28.3m) and payables of £48.6m (2022: £46.2m).

The Group considers its subsidiaries and Network Rail to be material related parties (and therefore those transactions are disclosed), and all other entities within the government as non-significant related parties (which are therefore not disclosed). For transactions with British Transport Police (BPT), please refer to note 3.

29 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 its registered office, Great Minster House, 33 Horseferry Road, London, SW1 P4DR. There is no parent undertaking group which consolidates these financial statements.

30 Post balance sheet event

Since the year ended, industrial action has continued to affect DOHL TOCs and other Train Operating Companies across the industry. While TSSA members have voted in favour of a deal, industrial action by RMT and ASLEF unions continue. At the time of signing, a resolution is yet to be reached.

On 28 May, the operation of all TransPennine Express services transferred from First TransPennine Express Limited (TPE) to TransPennine Trains Limited (TPT) – a DOHL subsidiary. TPT was given a Service Agreement contract to operate the franchise for a period of 2 (+2) years. Funding agreements were also put in place which give TPT and DOHL access to sufficient funds for the required operations. All franchise assets and liabilities were transferred to TPT, at values to be agreed between the parties excluding Rosco leases and the pension scheme.

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