DfT Operator Limited (formerly DfT OLR Holdings Limited)

Annual Report and Financial Statements

For the year ended 31 March 2025

Company Registration Number 07141122

Registered office:

Waterloo General Office 2nd Floor
Waterloo Station
London
SE1 8SW

DfT Operator Limited

(Formerly DfT OLR Holdings Limited)

Annual Report and Financial Statements
For the year ended 31 March 2025

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

July 2025

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Company information

Non-Executive Chair	Richard George
Chief Executive Officer	Robin Gisby
Chief Financial Officer	Richard Harrison
Non-Executive Directors	Chris Gibb
	Ashley Ibbett
	Kathryn Cearns, OBE
	Stephen Murphy (appointed 15 November 2024)
Principal Accounting Officer	Jo Shanmugalingam
Company Secretary	Jenny Henderson (appointed 29 January 2025) Richard Harrison (resigned 29 January 2025)
Chair of Audit Committee	Kathryn Cearns, OBE
Chair of Remuneration Committee	Kathryn Cearns, OBE
Registered Office	Waterloo General Office 2nd Floor 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 marks the 200th anniversary of the birth of the modern railway and, as this report will testify, is a very significant year for DFTO. In the autumn, the former DOHL (DfT OLR Holdings Ltd) became DFTO (DfT Operator Ltd). Not only did our name and identity change but also the scope and ambition of our work.

The government has placed public ownership at the heart of its rail reform programme. Over the coming year DFTO will bring more DfT train operators into public ownership and step up its efforts to demonstrate and deliver the benefits of public ownership – to the government, the taxpayer and most importantly to the passengers using our services.

Since the new government came into power significant legislation has been passed and the Passenger Railway Services (Public Ownership) Act 2024 has paved the way for the return of train services into public ownership.

DFTO itself has rapidly scaled up its capacity, and continues to do so, in preparation for taking more DfT train operators into public ownership. I am hugely proud of the ever-strengthening collaboration between DFTO's employees, our industry partners, the Department for Transport and the train operating companies.

I am proud to have witnessed the significant improvements DFTO's operators have made this year detailed in the CEO's report, particularly in the areas that matter most to passengers. Beyond the passenger-focused metrics, we are also seeing positive year-on-year revenue growth and outstanding developments in delivering more social value to the communities we serve.

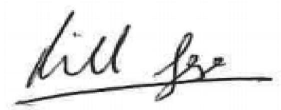
DFTO and its train operating companies currently employ over 24,000 colleagues, post SWR becoming a member of the group, a number that will continue to grow significantly in 2025 as we bring c2c and Greater Anglia into the DFTO Group. We value all our hard-working employees and employee satisfaction is critical to our success. Across DFTO's operators we are delivering a more diverse and inclusive workforce that better represents the communities we serve, and a work environment where employees feel safe and proud to work.

This year, we witnessed the creation of Shadow GBR, which has been tasked by the Secretary of State to deliver customer priorities before the stand-up of Great British Railways (GBR). Shadow GBR harness the leadership and insight of DFTO, Network Rail and the Department for Transport to deliver for rail users in the here and now; we do not want to wait for the legislation required for GBR.

To ensure we lay solid foundations for track and train integration, DFTO is working closely with Network Rail with the creation of South Eastern Railway in June 2025 bringing management of the route and train operating company together. The DFTO leadership provided at

Group and Train Operator level has been outstanding once again this year. I am especially delighted to see the early benefits of simpler and better industry processes, and greater integration and collaboration between train operators being championed and rolled out across the group.

As we look ahead to more DfT train operators joining the DFTO group, we will not lose sight of our immediate and most important priority, delivering for the passenger. We will build on the progress of this year to improve the passenger experience, drive revenue growth and demand, and promote a cost-effective and sustainable railway fit for the future.



Richard George
Chair
8 July 2025

CEO's Overview

This year has been a year of huge significance for the rail industry and for DFTO. The new government put the reform of the railways at the centre of its manifesto commitments and passengers at the heart of that reform.

The change from DOHL to DFTO marks a shift in the focus of the organisation, as DFTO became the Government's delivery partner for its flagship DfT Train Operator Public Ownership Programme.

I am proud of the trust that both past and present Government administrations have placed in DFTO and its teams to take on, lead and transform DfT train operators – be that as the Operator of Last Resort previously supporting and shaping train operators – or as DFTO, the body that all of DfT's train operators will transfer into on the journey towards Great British Railways.

By the end of 2025, when c2c and Greater Anglia transfer into public ownership alongside LNER, Northern, Southeastern, TransPennine Express and SWR, 33% of all passenger journeys will be covered by DFTO operators, including 37% of all passenger miles. DFTO will also have conducted further work with Network Rail to integrate track and train, including the recently announced South Eastern Railway. On our journey to GBR we have a once in a generation opportunity to change the way the railway is run and to truly put passengers at the centre of all decisions. It is a chance to rewire the system and fix the fragmented structures that have held us back. Most importantly, it is the opportunity to improve the journeys and the lives of the millions of passengers who use rail to get to work, to travel to see family and friends, and connect with their communities.

To ensure that DFTO maximises this opportunity and delivers for passengers, DFTO has a clear objective to improve customer service and the performance of its train operators and to drive integration of track and train, by sharing best practices, solutions and innovation across its train operators. DFTO is also at the centre of plans to make the railway financially sustainable by continuing to recover and grow revenue, as well as delivering efficiencies and economies of scale through integration of more train operating companies.

Despite the challenges, uncertainty and disruption that was caused by a difficult industrial relations landscape during the first half of the year, DFTO and its train operators have continued to deliver improvements across the areas that matter most to passengers – operational performance and customer experience. Both these key areas have improved significantly, see the key performance indicators in the Strategic Report, and in areas where we still face significant challenges, we are working hard to address and resolve them.

Under the strong stewardship of DFTO, the publicly owned DfT train operators are driving up standards for passengers, embracing innovation and fostering economic growth across the UK.

LNER continues to deliver industry leading levels of customer service and was ranked as the top operator in the UK according to this year's Transport Focus passenger satisfaction survey. LNER expanded its Single Leg Pricing and Simpler Fares trials, introduced its on-train Digital Information Portal and opened in York its second Family Lounge. Alongside these customer facing initiatives LNER has driven passenger revenue growth and witnessed an 11.2% year on year increase. Innovation came to the fore last year with the launch of its groundbreaking Deer Deterrent System and the rollout of new machine learning technology to help predict and prevent train delays across its stations.

We acknowledge Northern's performance is not where we want it to be with a 78.7% punctuality result (2024: 79.1%) and 5.8% of services cancelled (2024: 5.3%). This has had a significant impact on customers travelling across the north of England and has given rise to a number of workstreams that are now in place to address this. Last year Northern's passenger revenue recovered after the impact of the COVID pandemic and has built on this momentum this year by recording a 10.0% year on year passenger revenue increase. Alongside industry partners, Northern has played a key role in the development and introduction of the Northumberland Line service to stimulate and support economic growth, regeneration and community development in the region. This year, Northern has gone out to market for the procurement of up to 131 new trains as part of the TransPennine Route Upgrade (TRU) programme in a drive to run more services. As the procurement of new rolling stock progresses, DFTO will continue to support its train operators to move swiftly and make the right decisions for passengers and taxpayers.

Despite a challenging operational landscape, Southeastern's cancellation levels remain amongst the best in the country with an average for 2025 of 2.3% (2024: 2.1%). Southeastern also made outstanding progress in adding social value and increased its spend with small and medium-sized businesses by 20% to £77 million, strengthening local economies and supply chains. Southeastern was also recognised externally and secured accolades such as the European Customer and Contact Centre Gold Award for support for vulnerable customers.

Prior to its transfer into public ownership Transpennine Express (TPT) had been badly affected by the legacy of poor operational performance. Since transfer, overall performance has stabilised, and this is reflected in its delay and cancellations metrics which have all improved versus last year's figures. Stakeholder satisfaction with performance has increased from 5% in March 2023 to 94% in March 2025. In addition, Transpennine Express is playing a crucial role in supporting the ongoing Transpennine Route Upgrade and has led the operational and customer response to over 100 days of planned closures over the past year. Employee Engagement in TPT continues to improve at 77%, compared with 70% in March 2024.

We are also demonstrating what can be done under common public ownership. A new ticket acceptance policy between train operators run by DFTO was introduced in December 2024. This policy automatically allowed customers of a cancelled Northern, TransPennine Express or LNER service to use any Northern, TransPennine Express or LNER service to get to their destination within two hours either side of the departure time of their cancelled service. This new initiative is an early example of better integration of the railway giving customers greater flexibility and confidence and importantly keeping customers moving. The initiative will expand as more DfT train operators join DFTO, and there is ongoing work to accelerate the rollout to non DFTO train operators where possible.

Progress has continued in laying the foundations to bring track and train together ahead of the creation of Great British Railways. In June 2025, South Eastern Railway was created, uniting Southeastern and Network Rail Kent route under a single leadership team and Managing Director to deliver early benefits of GBR. This new collaborative approach creates a more streamlined structure that is better coordinated, more efficient and more responsive.

DFTO is also establishing and rolling out simpler and better industry processes to drive track and train integration, and collaboration across its operators. On 1st April 2025, a collaboration between DFTO, LNER and the Department for Transport saw LNER become the first train operator to move onto a revised Services Agreement. LNER will be followed by the other publicly owned operators in the year ended 31 March 2026. These newly structured contracts for operators will be customer and performance focused and will support the financial sustainability of the railways for taxpayers. Through the revised contracts, high performing operators will benefit from lighter touch contract management, giving them greater decision-making powers closer to their passengers.

DFTO's simpler and better approach to systems and processes is putting the passenger back at the heart of decision-making, removing duplication and inefficiency and driving innovation and integration.

To build on these early benefits of public ownership and prepare for its future objectives, DFTO remains true to its lean operating model, but where necessary is rapidly scaling its capacity.

DFTO's approach and the continued strong collaboration with its operators is enabling the excellent people who work for DFTO's train operators to do what they do best – deliver a safe, high-quality service that is able to manage costs sustainably and attract more passengers onto the railway.

Looking ahead to a year where more DfT train operators will enter public ownership, I am confident that DFTO and its partners in the Department for Transport and Network Rail – who I will continue to work with through Shadow

GBR – are equipped, willing and ready to deliver the benefits of a publicly owned railway.

Robin Gisby
CEO
8 July 2025

Strategic Report

The Directors present their strategic report for the year ended 31 March 2025.

REVIEW OF THE BUSINESS

DfT Operator Limited ‘DFTO’, formerly DfT OLR Holdings Limited ‘DOHL’, was established by the Department of Transport (‘DfT’) in 2018 to take over the management of rail franchises should it become necessary to bring them into public ownership in accordance with Section 30 of the Railways Act 1993. Following the Royal Assent of the Passenger Railway Services (Public Ownership) Bill 2024, the Department for Transport gave DFTO a new mandate to bring all DfT train operators into public ownership, as part of the flagship Public Ownership Programme, delivering on its commitment to reform Britain’s railways. As a result of this, the company changed name from DfT OLR Holdings Limited to DfT Operator Limited on 4 December 2024.

As at 31 March 2025 DFTO had responsibility for four train operators, LNER, Northern Trains (‘NTL’), Southeastern (‘SET’) and TransPennine Express (‘TPT’). In December 2024, the Secretary of State announced that the next three DfT train operators to transfer into DFTO in 2025 would be South Western Railway who have transferred post balance sheet date on 25 May; c2c (20 July 2025) and Greater Anglia (12 October 2025).

With South Western Railways entering public ownership, the DFTO Group now runs well over 6,000 services a day and delivers 450 million customer journeys across the network every year. DFTO now runs 26% of total UK passenger journeys and 30% of passenger kilometres, and brings billions of pounds a year in economic value to the places it serves. DFTO's operators have welcomed over 2,000 people to the railway family in the last year as well as delivering 1,300 apprenticeships, bringing in talented people from every background. DFTO's train operators taken together represent the industry overall as they cover long distance, regional and London commuter operations.

DFTO itself has undergone a significant transformation, significantly increasing its resources in readiness as it takes on more DfT train operators. As a result, its capacity to support the train operators has increased and the business's culture has changed from that of a temporary holding company to one of a longer-term owning group. It continues to work alongside industry partners to ensure the rail industry develops and evolves to meet the needs of its passengers and the communities it serves.

Critical to DFTO's strategic objective Improve the performance and service quality of DFTO train operators, are two key principles – ensuring first-class safety systems, oversight and governance are always in place and ensuring DFTO TOCs uphold the highest level of sustainable, ethical and environmental performance, reducing environmental impact.

Regarding safety, DFTO train operators have led the way in maintaining the highest standards, often working collaboratively with industry partners, including Network Rail, to do so. Key measures taken to maintain the diverse train fleet of DFTO's operators, include improving autumn adhesion with older trains in the fleet and handling under-frame cracks on newer trains. Additionally, DFTO's operators continue to work closely with Network Rail in the management and maintenance of the large portfolio of stations and depots across the rail network.

Supporting the health and welfare of passengers and employees is also critical to achieving DFTO's strategic objective. Southeastern, Northern, LNER and TPT are all now white ribbon accredited, working hard to keep women and girls safe as they travel. Southeastern, British Transport Police and Network Rail are also working together as part of a Tripartite Agreement, to coordinate resources to tackle anti-social behaviour, trespassing and assaults. DfTO TOCs work closely with Network Rail to minimise the possibility of incidents such as those involving signals passed at danger and poor adhesion.

DFTO TOCs are leading the way in driving sustainability in the rail industry, reducing the environmental impact of the sector and helping make rail the greener travel choice. LNER has cut carbon emissions by 50% in the past five years and is on track to achieve its goal of being net-zero by 2045, Southeastern has reduced CO_2 emissions by one third since 2019 and reduced water use by 43%, cutting waste and improving efficiency, and TPE have launched the first ever trial of a zero-emission battery train.

LNER have had a successful 2024/25, particularly following an agreement reached between the industry and the ASLEF union, and a significant reduction in adverse weather events in the latter half of the year. LNER has continued to make bold, innovative and data-led decisions that have combined to support revenue growth in the year, including the expansion of the Single Leg Pricing and Simpler Fares trials, the introduction of the on-train Digital Information Portal, and the introduction of a second Family Lounge at York station. LNER has worked in partnership with Network Rail, as well as joint initiatives with Hitachi, who maintain the majority of its fleet, to focus on delivering operational performance metrics. It has also launched significant parts of a systems transformation during the year with the delivery of its Rail Operating Solutions (ROS) supporting better planning of trains and staff, and the first phases of its Fusion project delivering improvements to its back-office Finance and Procurement systems. LNER was named as a UK top employer for the sixth year in a row by the Top Employers Institute.

Despite an uncertain and, at times, challenging operating environment, NTL continues into 2025/26 in a period of growth. NTL has over 40 live projects within its Programmes portfolio including investment in areas such as customer information screens, CCTV, accessibility improvements at stations, engineering systems, depot developments and other infrastructure related schemes. Workstreams have also been stood up to address the ongoing performance challenges. Significantly, NTL has gone out to market (separate manufacture and finance tenders) for the procurement of up to 131 new trains (464 vehicles). The Northumberland Line opened in December 2024, with an aim to stimulate and support economic growth, regeneration and community development in Northumberland and the surrounding regions.

Southeastern remains an important part of the transport network in Kent, East Sussex and Southeast London, achieving significant growth across fourteen lines of route and three customer offers – metro, mainline and highspeed. Its operational performance is delivered in partnership with Network Rail, and with London St Pancras High Speed (LSPH). This integrated and collaborative approach is based upon treating the railway as one system and ensuring that all efforts are focussed on putting the passengers first, resulting in cancellation levels amongst the best in the country. Southeastern is progressing the procurement process to secure modern rolling stock to replace its ageing ‘Networker’ trains, transforming its metro service and greatly improving punctuality in doing so. Southeastern continues to work with DfT, RDG, fellow train operating companies and passenger groups to introduce positive changes to station operations, providing greater staff visibility to customers, offering colleagues long term sustainable roles, and minimising industry costs.

TPT's ambition is to deliver a consistently excellent travel experience – connecting communities across the North of England and into Scotland – for its customers, its communities, its people, and its stakeholders. It continues to play a pivotal role in enabling customers to travel sustainably in speed and comfort and contributes significantly to the economic value of the region. In the year ended 31 March 2025 (its first full year in public ownership), it has recorded a 17 per cent increase in customer numbers – among the best growth seen by any operator in the UK – achieved 87 per cent stakeholder satisfaction and has drastically reduced colleague absence rates. Alongside this, TPT has simplified its business and its resourcing, has improved workforce planning, stripped back and then built-up resilient timetables that serve local communities and economies and, perhaps most importantly, has given customers and stakeholders the confidence to trust the company once again with their journeys. It continues to work with NTL, Network Rail and other stakeholders to deliver the Transpennine Route Upgrade, which will allow trains to operate more reliably, at higher frequency.

Benefits of work across the Group are also coming to fruition. The cross-train operator work on digital innovation, for example, continues to grow and has become an industry-leading programme. Train operator

Internal Audit teams are working more closely than ever, with cross-train operator audits taking place on a regular basis and a fully aligned set of risk registers. Our legal team has also been recognised for its significant achievements in driving collaboration across the Group, and is now in the process of centralising to ensure a thorough, comprehensive service to our train operators.

As the group continues to expand, net assets as at the 31 March 2025 are £175.4m (2024: £156.6m) and total assets are £1,905.2m (2024: £1,544.3m).

Principal risks and uncertainties

The Group maintains a register of strategic risks. The risks which have an impact on the Group'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 DFTO's subsidiaries, has ensured that risks are being managed within the Board's risk appetite.

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

- Industrial relations considerations 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.

- Challenges associated with employee engagement through periods of significant change.
- Issues that have the potential to arise during the Public Ownership Transfer Programme.

The Group is exposed to external and internal risk factors. The companies are heavily dependent on passenger numbers which are impacted by external risk factors such as regulatory, economic, and competitor activity. Under the terms of its train operators' Services Agreements, the Group falls under the regulation of 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 train operator which has been developed through a risk-based analysis of its operations. Train operator 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 the business can respond to these as effectively as possible.

The Group is exposed to the risk that a cyber-attack could lead to the unavailability of critical systems, impacting the ability to deliver services. In order to mitigate this risk all TOCs are embedding cyber security strategies, in addition groupwide training and simulation of ransomware situations is provided across DFTO and TOCs.

The ability of the Group to operate an efficient service is dependent on there being sufficient rolling stock in order to deliver the timetable, a failure to do so would result in increased performance issues and reputational damage. In order to mitigate this risk there is continual review of rolling stock availability across all TOCs and continued engagement with stakeholders including the DfT.

Employee engagement and the recruitment and retention 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. This is particularly relevant as the business undergoes a significant process of scaling up, in a lean and efficient manner, in order to meet the challenges and opportunities provided by the Public Ownership Transfer Programme. This, combined with significant preparatory work and close collaboration with the DfT and Network Rail, have put DFTO in excellent stead to begin the receipt of privately-owned train operators which commenced in May 2025.

There is a risk around DFTO being able to scale effectively in order to ensure the effective delivery of the Public Ownership Programme. This risk is mitigated by a structured approach to transitioning TOCs to ensure that DFTO have sufficient capacity to support TOCs as they transition.

Key Performance Indicators

The Group uses a range of key performance indicators (KPIs) for its companies to assess the effectiveness of their performance against their Business Plans. External factors such as industrial action, extreme weather events, increased trespass, and challenges from infrastructure reliability 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 2025**	LNER 2024	**NTL 2025**	NTL 2024	***SET* 2025**	SET 2024	**TPT 2025**	TPT 2024
Passenger major injuries per 1 million passenger journeys	**0.52**	0.24	**0.13**	0.29	**0.01**	0.01	**0.15**	0.15
Workforce lost time accidents per 1,000 employees	**0.50**	0.38	**0.74**	0.68	**0.68**	0.61	**4.94**	2.34

This year saw 18 RIDDOR recorded customer incidents (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013), (2024: 20 incidents). For staff accidents there were 84 RIDDOR reportable employee accidents (2024: 76 incidents). These figures have increased slightly compared to last year. 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 50 LNER (2024: 59), 186 NTL (2024: 251), 747 SET (2024: 444) and 39 TPT (2024: 26). The classification for this differs to that of the police in that 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, 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 poor behaviour.

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

Revenue

Revenue for the financial year ended 31 March 2025 was £3,845.1m (2024: £3,481.4m) which in the main reflects ticket revenue earned from passenger services and associated income earned from catering, car parks, and commission, along with DfT subsidy income.

Passenger revenue has increased year on year reflecting an increase in the number of journeys being made, which has been driven by a reduction in industrial action resulting in improved operational performance across all train operators, along with a number of train operator specific initiatives.

The service agreement subsidy received by LNER, £88.8m (2024: £36.0m), NTL, £672.5m (2024: £648.4m), SET, £414.5m (2024: £415.0m) and TPT, £165.2m (2024: £174.5m) reduced year on year for SET and TPT but increased year on year for LNER and NTL.

This year has seen some changes to the way in which DFTO train operators approach revenue protection, following proceedings in Westminster Magistrates Court in August 2024 where it was found that prosecutions for certain types of offences which had been prosecuted using the Single Justice Procedure would be nullified. The DFTO train operators with cases affected by the ruling (NTL and TPT) have worked with the court to identify the impacted cases and all c29k prosecutions brought by NTL since DFTO ownership, and the 41 TPT cases brought whilst it has been owned by DFTO, have now been nullified. During 2024, Working and Steering groups were established with SMEs from across the Group, and by the end of 2024 each DFTO train operator had reviewed its end-to-end prosecutions processes and implemented new ways of working.

The train operators also welcome the findings from the ORR report into revenue protection practices which was commissioned by the Secretary of State for Transport in November 2024 (published in June 2025) and will seek to make further improvements following review of those findings.

Employee Engagement

Employee Engagement Index	LNER	NTL	SET	TPT
Engagement 2024/25	**81%**	**67%**	**62%**	**77%**
Engagement 2023/24	73%	59%	66%	70%

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

Positive results from LNER's survey include colleagues knowing how their work contributes to the goals of LNER, autonomy to perform the job effectively and the recommendation of LNER as a great to work. The strongest areas of improvement in the survey were sentiments relating to pay and reward, trust in senior leadership and our values and behaviours being demonstrated in reality.

In 2024, NTL launched a new recognition scheme to celebrate colleagues for their achievements in several ways, from instant recognition via e-cards and instant rewards up to more formal recognition through our newly implemented annual awards ceremony. In addition, NTL launched its "Back to the Tracks" visibility exercises for senior leaders in the year. These actions were introduced to address the areas with the highest dissatisfaction in the 2024 survey and whilst improvement was achieved in those scores, NTL is committed to put further actions in place during 2025/26 to continue to address the feedback and further improve engagement levels across the business.

In 2024/25 SET decided to review their employee engagement strategy and a pause was put on the traditional surveys meaning that results cannot reasonably be compared between years. SET's employee engagement questions measured the questions 'My organisation is a great place to work' and 'I have all the information I need to do my job well'. The inclusion index question measured 'My organisation is committed to recruiting a diverse workforce', with 57% of those responding stating that 'My organisation is a supportive and safe place to work'. As a result of the re-accreditation with Investors in People, Southeastern has retained its Triple Gold Accreditation for Apprentices, Wellbeing and the overall accreditation.

In TPT, following on from the 2024 colleague survey, initiatives in the year have included the introduction of a flexible bank holiday scheme, new all-business updates, Q&A sessions and a colleague magazine. Colleagues stated that there was the need for more recognition. As such, TPT reintroduced the Star Awards, an evening of celebration to recognise colleagues, TPT encourage the use of the Reward and Recognition scheme and continue to recognise a Shining Star period winner. The result of this increased engagement is reflected in the survey results.

Customers

	LNER 2025	LNER 2024	**NTL 2025**	NTL 2024	**SET 2025**	SET 2024	**TPT 2025**	TPT 2024
Customer Satisfaction	**69%**	64%	**61%**	61%	**86%**	85%	**81%**	82%

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

LNER reported a customer satisfaction score of 69.1% for 2024/25, which is 2.1% above an increased target of 67%, and an improvement of 5.4% from the previous year. Despite the impact of disruptive events, satisfaction scores have been more stable compared to the previous year. This is particularly evident from P8 onwards where last year's persistent adverse weather conditions impacted satisfaction, preventing a recovery to above-target scores, whereas this year a milder winter period has contributed to year-on-year performance.

NTL's customer metrics saw positive uplifts at the start of the rail year, however, there have been steady declines into the autumn periods where service delivery and performance has been challenged by a multitude of weather events, namely the numerous storms the UK has experienced. Customers have also experienced over 18 months of industrial action, leading to uncertainty and a lack of trust surrounding the industry. Planned adjustments of the timetable to approve reliability have led to improvements in customer satisfaction, which NTL is working hard to consolidate into the new rail year.

Customer Satisfaction for SET ended the year at 86%, 1% behind target due to some challenging periods of train performance. The longstanding National Rail Passenger Survey (NRPS) based Customer Satisfaction Survey (CSS) was retired as of November 2024 after nine years of continuous use. SET's new questionnaire measuring Customer Satisfaction is now based on the emerging train operator-wide industry standard model (called the Rail Customer Experience Survey – RCXS). This will form the basis of measurement going forward and positions Southeastern well ahead of the launch for all 14 train operators from August 2025.

TPT's overall journey satisfaction has performed well during the period, increasing to 90% in P13, leading to a moving annual average ('MAA') over the whole period of 81%. Customer satisfaction correlates strongly with performance, and TPT has seen its Net Promoter Score increase since operations began. TPT has gradually improved the NPS this year to +20 by the end of the year, leading to an MAA over the period of +6 (2024: -1).

Train Performance

	LNER 2025	LNER 2024	**NTL 2025**	NTL 2024	**SET 2025**	SET 2024	**TPT 2025**	TPT 2024
Time-to-3*	**72.7%**	72.2%	**78.7%**	79.1%	**85.2%**	85.9%	**68.8%**	67.9%
Cancellations	**3.8%**	4.8%	**5.8%**	5.3%	**2.3%**	2.1%	**4.2%**	4.8%

**The 'Time-to-3' measure records punctuality at each station called at along the route.*

LNER's operational performance has been variable, however there have been signs of improvement in some areas. It's On Time performance has been maintained, with only a very marginal 0.2% drop during the year to 56.4% (2024: 56.6%). However, its punctuality as measured by the T-3 metric has improved over the last 12 months. Cancellations have improved by 1.0% over the year. At the same time, there has been a significant reduction in Pre-Planned Cancellations – falling from 1.8% to 1.5% of planned trains. This improvement in performance was acknowledged in the Office of Rail and Road's (ORR) Q4 2024 industry Performance Report, with LNER having the most improved cancellations rate among all UK operators.

NTL's train service performance hasn't been where it would like it to be this year and NTL recognises the impact this has had on customers travelling across the north of England. Although NTL entered a period of stability towards the end of the fiscal year with some of the best performance seen in months, the impact of train performance across the whole year for some customers was significant, particularly for customers travelling on Sundays in the North West.. Conversely, some stations and routes have seen good and even excellent levels of service at times, with a challenge now to ensure consistency. NTL submitted a performance improvement plan to RNP this year, including a stabilisation plan to tackle the issue of traincrew availability, and a plan to improve performance in the longer-term with the ambition of achieving 2% cancellations and 90% punctuality by the end of 2027. This level of performance would be industry-leading and requires a fundamental shift in the way NTL operates and delivers train services. The workstreams to deliver this ambition are well underway and will continue into 2025/26.

SET's performance has faced several challenges in the last year, with all measures apart from Time-to-15 being worse year on year. Fleet, signals, trespass and severe weather are causing the biggest impacts on reliability and punctuality. Autumn was a particularly challenging period with more large incidents than expected and on days with no big incidents, punctuality was still below expected levels. However, the timetable has continued to expand with the December 2024 changes adding 44 services per day, totalling 220 per week. The joint Network Rail/ Southeastern performance strategy brings together the key components of both organisations to ensure performance improvement remains a common objective with a number of initiatives underway to improve performance going forward.

Overall performance for TPT has stabilised following the resumption of driver rest day working. This is entirely reflected in the 2025 moving annual average (MAA), in contrast to the 2024 figure which was still affected by the lack of rest day working and action short of a strike for part of the year. The stabilisation continued with a reduced service in the December 2023 and June 2024 timetable periods allowing for more robust operations. This generally was positive for all performance metrics due to improved driver availability for the services planned and reduced reactionary delay because of fewer services running. The December 2024 timetable, whilst not having the same advantages as the reduced timetables, continues to show resilience. This allows for faster recovery from major incidents when they occur and supports continuing high performance.

OPERATIONAL REVIEW

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

Vision and Strategic Objectives

The Government's vision is to provide a railway that works better for both passengers and taxpayers across Great Britain. DFTO's purpose is to deliver on the mandate of this government, to deliver unified and integrated train operations under common public ownership. By working in collaboration with Network Rail and partners, the vision is for DFTO's operators to become industry-leading in performance, passenger satisfaction, safety, operational efficiency and service, making the railway simpler to use for passengers, and more financially sustainable for the taxpayer.

Its mission is to pioneer the industry benefits of public ownership and integration; delivering safe operations, improved performance for passengers, financial efficiency for the taxpayer, and engaged employees.

Meeting this vision requires its train operators 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 help to deliver a financially sustainable railway, a strong economy and communities, and will protect the environment

The Secretary of State for Transport determines the in-year objectives DFTO will work towards in the year ahead. DFTO ensures that its in-year objectives are aligned with the longer-term Strategic Objectives. Below are the objectives for 2025/26.

1) Industry reform and transformation – to bring train operators into DFTO ownership as their contracts expire or as directed by the Secretary of State, to pursue further integration between train operators and Network Rail, to drive workforce reform including terms and conditions, and to co-create the design of GBR ahead of implementation of the Railways Bill.
2) Improve the performance of DFTO Train Operators – improve train operator performance, drive the delivery of passenger benefits within DFTO train operators and promote greater consistency in the passenger offer, ensure revenue is protected whilst passengers are treated fairly, ensure that first-class safety systems, oversight and governance are always in place and ensure DFTO train operators uphold the highest levels of sustainable, ethical, and environmental performance, reducing environmental impact.
3) Ensure the financial sustainability of the railway for all – improve revenue generation and cost efficiency, reduce net subsidy, identify options for cost rationalisation and efficiency and identify revenue protection challenges and solutions.

Ensuring the business supports a highly motivated, high skilled and engaged workforce

DFTO train operators have continued to enhance their colleague wellbeing and engagement programmes ensuring colleagues can access support early, and several initiatives run throughout the year have contributed towards this aim.

Each DFTO train operator is challenged to have in place a colleague wellbeing strategy delivered through experienced teams of occupation health professionals who are either internal to the business or contracted through provision from well-known industry suppliers. The strategies employed for DFTO train operators have a holistic focus covering the three important and integrated areas of physical, financial and psychological wellbeing. All colleagues have access to Employee Assistance Programmes (EAPs) and each DFTO train operator actively promotes services that exist to support colleagues suffering financial hardship such as the Railway Benefit Fund and the Railway Mission. DFTO train operators encourage their colleagues to engage in industry wellbeing programmes such as Rail Wellbeing Live, encourage and train line management to be tuned to and support the needs of their people and foster a sense of social wellbeing.

Our relationship with suppliers and rail industry partners

DFTO train operators 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 DFTO train operators. In addition to commercial aspects, all DFTO train operators have introduced corporate social responsibility measures, such as including social value measures in tender evaluations. Each DFTO train operator is subject to the Procurement Act 2023 and contracts over the relevant thresholds are advertised in the government website Find a Tender Portal (FTS).

Our relationship with customers, stakeholders and business partners

DFTO and its train operators recognise their responsibility to build and maintain strong and successful relationships with customers, stakeholders and partners. DFTO train operators 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 train operator 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.

Engaging with partners to support our communities, protect the environment and deliver our Responsible Business aspirations

DFTO train operators, continue to support the communities where they operate through fundraising and volunteering hours. DFTO encourages all its train operators to put passengers and local communities first and it continues to drive efforts to deliver social and economic value for the people and communities they serve.

DFTO train operators 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

Our relationships help us to maintain high standards of business conduct

A DFTO Framework Document is in place setting out the role and responsibilities of the Board consistent with the Government Code of Good Practice for Corporate Governance. This includes an obligation of conduct 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.

The Framework Document sets out the standards DFTO follow to ensure that 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.

Non-financial and sustainability information statement

In accordance with section 414CB of the Companies Act 2006, the Board provides, within this Statement, the climate-related financial disclosures for the Group of companies which DFTO heads.

Governance arrangements in relation to assessing and managing climate-related risks and opportunities

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.

DFTO's train operators have the potential to be significantly impacted by this. With that in mind, a DFTO-wide working group has been formed to look at the train operators' 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 train operator then feeds into its governance structure via the Audit and Risk Committee, which in turn advises the train operator Boards as well as DFTO's Audit and Risk Committee.

How the company identifies, assesses and manages climate-related risks and opportunities

Each DFTO train operator has processes in place to identify climate related risks and opportunities with subject matter experts within each train operator are utilised where relevant. Qualitative and, where appropriate, quantitative climate scenario analysis is performed to identify risks and opportunities and these are considered across different climate projections and time horizons for each train operator.

How processes for identifying, assessing and managing climate related risks are integrated into the company's overall risk management process

Each DFTO train operator feeds into its governance structure via the Audit and Risk Committee, which in turn advises the train operator Boards as well as DFTO's Audit and Risk Committee. The outcome of these governance discussions in turn informs the development of DFTO's corporate risk register, which is managed by DFTO's Internal Audit team.

Principle climate-related risks and opportunities arising in connection with the company's operations

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 train operators' 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 key physical risks for TOCs include precipitation change leading to more intense and frequent rainfall and drier summers; more intense and frequent extreme weather including heatwaves, storms and high winds; and rising sea levels leading to a loss of routes in coastal areas. These physical risks can have a significant impact on the ability of TOCs to run trans on time and further impact customer safety. 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 train operators' carbon footprint or changes in taxation policy that impacts on the organisation.

Policy and Legal Risks – ranging from the train operators' 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 train operators 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, DFTO's train operators 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.

Full descriptions of these risks and opportunities, their impacts and how they are managed, including targets and KPIs, can be found in each train operator's annual reports, along with a description of the time periods by reference to which those risks and opportunities are assessed. As a small organisation, DFTO’s own risks are negligible in this area, with the train operators taking on the bulk of the Group’s risks.

Impact of climate-related risks and opportunities on the resilience of the company’s business model and strategy

Each DFTO train operator continues to develop strategies and processes in order to manage climate risk and take advantage of climate related opportunities. Further details can be found in each train operator’s financial report.

Key performance indicators used to manage climate-related risks

KPIs to manage climate-related risks are set and monitored by each individual train operator in accordance with its needs. Further details can be found in each train operator’s financial report. As a small organisation, DFTO’s own risks are negligible in this area, with the train operators taking on the bulk of the Group’s risks, and so this requirement is not considered necessary for an understanding of the business.

On behalf of the Board

Robin Gisby
CEO
8 July 2025

Directors' Report

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2025.

Results and dividend

The Group's reported financial performance for the year ended 31 March 2025 shows a profit after tax of £18.7m (2024: £22.2m 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, (2024: £nil). A dividend of £20m was received by DFTO from LNER during the financial year 2024-2025 for financial year 2023-2024 (2024: £20m relating to year 2022-2023). This has been eliminated in the group consolidation.

Future developments

The future developments for the company are shown in the Strategic Report starting on page 14.

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; Accounting Officer for TF19	Robin Gisby	
Chief Financial Officer	Richard Harrison	
Non-Executive Directors	Chris Gibb	
	Michelle Handforth	resigned 31 December 2024
	Ashley Ibbett	
	Kathryn Cearns, OBE	
	Steve Murphy	appointed 15 November 2024

No Director had any interest in the share capital of the Company during the financial year (2024: nil).

The Company entered no significant contract or arrangement during the year in which any Director had a material interest.

Directors remuneration related to the financial year 1 April 2024 to 31 March 2025 is stated in the table below.
No pay rises were awarded during the year, with the exception of the Executive Directors.

	Salary/fees	Pension and other benefits	Year ended 31 March 2025	Year ended 31 March 2024
	£’000	£’000	£’000	£’000
Richard George	150	-	**150**	150
Robin Gisby	244	-	**244**	236
Richard Harrison	230	-	**230**	220
Chris Gibb	50	-	**50**	50
Michelle Handforth**	5	-	**5**	-
Ilona Blue	-	-	**-**	17
Ashley Ibbett*	-	-	**-**	-
Kathryn Cearns OBE	30	-	**30**	3
Stephen Murphy	20	-	**20**	-
	729	**-**	**729**	676

* Ashley Ibbett is remunerated as Director General for Energy Infrastructure at the Department for Energy Security and Net Zero, he does not receive any additional remuneration for his role as Non-Executive Director of DFTO.

** Michele Handforth was remunerated by Network Rail for the majority of her term as a Non-Executive Director.

Company Secretary

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

Richard Harrison (resigned 29 January 2025)

Jenny Henderson (appointed 29 January 2025)

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 Company. 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.

This was in force during the financial year, and at the date of the approval of the financial statements, and there was no utilisation of the insurance/indemnification during the financial year.

Research and development

DFTO's train operators work together collaboratively to develop innovation projects that will benefit the Group and the wider industry. This is achieved through a cross-train operator working group which presents to the DFTO leadership quarterly on its progress. In the coming year, this group will continue to build on this work to bring 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. This includes a real focus on transformative business and technological change to enhance our back-office systems and employee experience.

Post balance sheet events

Information on any post balance sheet events is shown in Note 31 to the financial statements.

Contingent Liabilities

A legal matter with regards to the use of the Single Justice Procedure to prosecute certain specific offences was disclosed in the prior year accounts. Subsequent to the year end a further issue has been identified with regards to historic prosecutions which have been made by the Group. This is an emerging issue and at the time of the approval of the accounts there is no way to reliably estimate the value of any possible liability or the extent of any obligation arising in respect of the Group. The Group is working proactively with legal advice to assess the extent of any possible liability or obligation arising on the Group.

Corporate Governance Statement

In addition to its vision and objectives, DFTO 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.

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. 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 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, the Directors intend to continue to build the capacity of the Board.

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

All Directors have access to the advice and services of the Company Secretary and Group General Counsel who, if necessary, has access to external legal advice. Board and other meetings are administered by the Board Governance Coordinator. 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.

The Board is supported by two subcommittees – the Audit and Risk Committee, and the Remuneration Committee. Both are chaired by an independent NED and meet at least quarterly, with greater frequency as needed.

Audit and Risk Committee

The Committee has continued to oversee the adequacy and effective operation of the organisation's overall governance and internal control system. This includes overseeing the appointment and work of external and internal auditors, financial reporting arrangements, compliance with relevant regulation and legislation and systems of internal control and risk management.

The Committee is chaired by an independent Non-Executive Director, Kathryn Cearns and includes a minimum of two out of three Non-Executive Director members; Richard George, Chris Gibb and Ashley Ibbott. The Committee attendees include the DFTO CEO, CFO, Financial Controller, external and internal audit and others by invitation. The Committee meets quarterly and provides an update to the following Board meeting.

During the year, the Committee undertook the following principal activities:

- Appoint and review the effectiveness of the external auditor.
- Review the accounting principles, policies and practices adopted in the preparation of the annual accounts and review the annual accounts.
- Review the scope and planned programme of work of internal and external audit.
- Approve the annual internal audit plan and review and oversee the management response to all internal audit findings. Review the effectiveness of the internal audit services received.
- Review the company's financial control and risk management systems, with particular focus on the Corporate Risk Register.
- Provide the opportunity for any and all auditors to bring to the Committee's notice any matters of relevance.
- Provide oversight of and guidance to the Audit and Risk Committees of the Train Operating Companies within the DFTO Group to ensure consistency of approach, effectiveness and proper escalation of issues to the DFTO parent.

As the purpose of DFTO has evolved and the group continues to grow, in 2024/25 the Audit and Risk Committee has overseen ongoing development of the audit, control and risk management environment, including:

- Ensuring consistency in accounting policies and principles across the Group supported by a growing DFTO finance team.
- Continued uniformity across the internal audit approach and risk management frameworks across the Group, supported by collaborative working across the TOCs and the formation of a Group audit and risk team.
- Continued use of cross industry or cross-TOC internal audits.
- Stronger links between TOC Audit and Risk Committees and the parent Committee including formal reporting from TOC Committees to the Group.
- Development of standard frameworks for audit and risk to support transitioning TOCs to stand up their own audit, risk and control frameworks.

Remuneration Committee

The Group Remuneration Committee is chaired by Kathryn Cearns, who replaced Richard George as Chair on 29 January 2025, and includes the Non-Executive Directors. The Executive Directors attend as required.

The remuneration policies and practices of the company 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.

Employees

Creating a productive and engaging place to work

DFTO strives to be a highly regarded Owning Group, and as part of that mission it is key to be seen as an inclusive employer of choice and a productive, engaging place to work. As such, DFTO and its train operators 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. DFTO train operator Boards fully promote their operating business purpose, vision, and values. These underpin every decision and action they take and are designed to create value for all stakeholders.

Attracting and retaining the best talent available in the market, investing in wellbeing and skills development, and providing highly skilled jobs that are accompanied by great work experiences is critical to success, and to the transformation of the railway.

Progressing Diversity, Equity, Inclusion and Belonging

Over the last financial year, DFTO train operators have continued to make good progress on diversifying their workforce and promoting diversity, equity, inclusion and belonging (DEIB) objectives, investing time in attending cross-industry forums such as the Diversity & Inclusion Steering Group (DISG) and Rail Unites for Inclusion. DFTO train operators 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 DFTO train operators have established a wide variety of effective Employee Support Groups (ESGs) covering different aspects of diversity, with senior sponsorship in place for each.

Education and Programmes

DFTO train operators 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, DFTO and its train operators are required to assess the impact of all services, policies, and changes to existing services on equality.

Fair, Equitable and Inclusive Recruitment

DFTO train operators currently measure different levels of EDI maturity and all have plans in place designed to install and achieve greater representation, reflecting the communities they serve. All DFTO train operators are challenged to build diversity and equity into their hiring processes. Examples include 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, DFTO train operators use multiple sourcing channels and work with specialist partners or job boards to ensure an extended reach. Diverse employees are encouraged to refer their connections, and both apprenticeships and work experience programmes are targeted to underrepresented groups, including through early careers partnerships such as the Princes Trust.

Statements of the company's policies during the year in respect of disabled persons

The Group welcomes all applications regardless of any protected characteristic, status, trade union affiliation or other irrelevant factor. We are actively seeking to build a more diverse workforce which is inclusive of people from all backgrounds. We offer workplace adjustments (where possible) at recruitment stages and through employment.

Should a colleague become disabled which is recognised through the Equality Act (2010) during their employment, the business will ensure they are actively supported through our Health and Wellbeing team and accommodations made through Reasonable Adjustments. Our in-house and outsourced Health and Wellbeing team offer an industry leading service and are able to tailor their advice through their knowledge of our business (including individual job roles) and support colleagues in sustaining their employment with us.

Environment – Streamlined Energy and Carbon Report

Environmental Sustainability Strategies are delivered individually through each DFTO train operator. The strategies are guided through application of DFTO train operators’ 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.

Energy and Environment performance for DFTO for the year ended 31 March 2025 is summarised in the table below. We refer to the GHG Protocol Corporate Accounting and Reporting Standard and the UK Government’s Environmental Reporting Guidelines in respect of Streamlined Energy and Carbon Reporting (SECR).

	Scope	Total*	Total**	Carbon* tCO_2e	Carbon tCO_2e
		2025	2024	**2025**	2024
Energy					
Total gas kWh	1				
LNER		3,571,345	3,666,422	653	671
NTL		19,636,344	17,116,237	4,185	3,648
SET		7,064,562	6,770,344	1,292	1,219
TPT		684,388	630,501	125	115
		30,956,639	28,183,504	6,255	5,653
Traction diesel litres	1				
LNER		5,466,963	4,841,519	15,064	13,340
NTL		50,784,521	47,640,908	171,756	161,124
SET		-	-	-	-
TPT		29,477,237	23,600,683	78,724	63,149
		85,728,721	76,083,110	265,544	237,613
Total non-traction electricity kWh	2				
LNER		11,292,841	11,625,019	2,338	2,406
NTL		26,537,177	24,941,597	7,304	6,855
SET		29,701,643	28,777,723	6,150	5,959
TPT		3,090,588	2,541,739	640	526
		70,622,249	67,886,078	16,432	15,746

	Scope	**Total***	Total**	**Carbon* tCO_2e**	Carbon tCO_2e
		2025	2024	**2025**	2024
Traction electricity (EC4T) kWh	2				
LNER		371,212,965	311,263,403	76,860	64,455
NTL		90,673,430	92,143,230	24,955	25,326
SET		504,633,057	488,028,836	104,484	101,058
TPT		48,437,633	34,563,917	10,029	7,157
		1,014,957,085	925,999,386	216,328	197,996
Other sources of emissions***	3				
LNER				7	9
NTL				1,878	2,016
SET				36,840	35,474
TPT				249	214
				38,974	37,713
Total emissions					
LNER				94,922	80,881
NTL				210,078	198,969
SET				148,766	143,710
TPT				89,767	71,161
				543,533	494,721

	Scope	Total*	Total**	Carbon* tCO_2e	Carbon tCO_2e
		2025	2024	**2025**	2024
Other environmental parameters					
Total water (m^3)	3				
LNER		79,798	83,849	n/a	n/a
NTL		211,750	197,024	n/a	n/a
SET		209,015	137,010	n/a	n/a
TPT		51,892	29,113	n/a	n/a
		552,455	446,996	n/a	n/a
Waste % recycled	3				
LNER		31%	30%	n/a	n/a
NTL		70%	72%	n/a	n/a
SET		22%	22%	n/a	n/a
TPT		57%	54%	n/a	n/a

	Scope	Total*	Total**	Carbon* tCO_2e	Carbon tCO_2e
		2025	2024	2025	2024
Intensity ratios					
Carbon emissions per £million turnover					
LNER		n/a	n/a	94	93
NTL		n/a	n/a	184	185
SET		n/a	n/a	118	122
TPT		n/a	n/a	193	183
DFTO Consolidated		n/a	n/a	141	142

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

** The numbers for the year ended 31 March 2024 have been updated to reflect revisions post the signing of the prior year financial statements.

*** Other sources of emissions include oil/lubricants, fuel used in company road vehicles, plant and equipment diesel, water treatment and waste.

LNER developed and published its new Decarbonisation Strategy in 2024. This strategy has set new, updated targets, following the methodology of the Science Based Targets initiative, to ensure LNER are on track to achieve its long-term target of net zero by 2045. The strategy has also developed LNER's approach to measuring and reducing its scope 3 emissions, with short and long-term targets for scope 3 emission reductions. It sets out a roadmap for decarbonisation of traction, non-traction and supply chain emissions. Key initiatives from these roadmaps achieved in 2024-25 are set out in LNER's Annual Report.

Initiatives to support NTL's Decarbonisation Strategy continued to be a key focus in the year. Development of a rolling stock strategy, tackling supplier emissions and seeking alternative solutions to the use of gas assets at its locations have been priorities and will continue to be in forthcoming years. New trains procurement will see NTL's existing fleet replaced by the lowest carbon option that infrastructure and funding will allow. The approach is to purchase diesel-battery-electric tri-modes as well as smaller amounts of battery and electric multiple units where the current infrastructure allows. This approach, in conjunction with NTLs rolling stock strategy for future fleet replacement will enable NTL to realise carbon reductions across differing levels of investment in infrastructure. Energy and environment considerations have been embedded into the new trains specification and will continue to be considered in the coming years as the development of the specification continues.

SET's Decarbonisation Roadmap defines its approach to decarbonising its direct emissions along with those within its supply chain. Its short-term targets are to reduce Scope 1 and 2 emissions (mostly associated with energy use) by 70% by 2029 and 90% by 2035 compared to the baseline emissions in 2019. SET also sets its long-term target to be net zero carbon 2050, which include the emissions associated with its supply chain. During 2024/25 SET worked with Action Sustainability to create a series of sustainability webinars for its SMEs, which covered themes such as modern slavery and the basics of climate change and carbon accounting. SET's work to mature its accounting for Scope 1, 2 & 3 continued with a focus on supply chain emissions.

TPT's Decarbonisation Roadmap is based on the national electricity decarbonisation trajectory, and therefore any delays or setbacks could directly impact on its ability to achieve its science-based targets and net-zero ambitions. As TPT purchases traction electricity from Network Rail, it is also reliant on them decarbonising their electricity supply suitably.

Statement on business relationships

Information on how the company has fostered business relationships with suppliers, customers and others is shown in the Strategic Report starting on page 14.

Community Engagement

Information on the company's engagement with the community is shown in the Strategic Report starting on page 14.

Charitable and political donations

There were no political donations made in the year (2024: £nil).

LNER made charitable donations totalling £45,000 during the year ending 31 March 2025 (2024: £35,000). In addition, LNER's Customer and Community Investment Fund provided £326,000 during the year ending 31 March 2025 (2024: £521,000), to help local schemes along LNER's route including several charitable projects.
In addition, £63,000 has been raised by customers choosing to support LNER's charity partners via the LNER Perks scheme and Delay Repay donations (2024: £119,000).

NTL made charitable donations of £9,000 during the year ended 31 March 2025 (2024: £18,000).

SET made charitable donations of £119,000 during the year ended 31 March 2025 (2024: £54,000).

TPT made charitable donations of £1,000 during the year ended 31 March 2025 (2024: £2,000).

Statement of directors' 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.

Going Concern

The basis for preparation for these financial statements has been on a going concern basis which the directors consider to be appropriate as our business will continue and is central to the growth of the country economically and socially, as well as the integration of more operators through public ownership. The Government has continually underlined the important role of the rail industry and that it is integral to the Government's strategy.

The directors consider the preparation of the financial statements on a going concern basis to be appropriate due to several specific considerations in the form of:

a. Railways Act 1993 legislation whereby the government has duties to ensure that passenger train services operate at all times;

b. Available funding facilities;

c. Financial security of the ultimate shareholder.

d. The government Public Ownership Programme.

The Secretary of State set up the Company in 2018 in connection with the exercise of their statutory duties. Within the Group's TOC subsidiaries, the Government is contractually bound to support each TOC for the length of the service period. Under the Service Agreements, each TOC is subject to fixed payments in the form of a premium paid to, or service agreement subsidy received from, the Department for Transport. Under the terms of the Service Agreement the TOC is entitled to earn a predefined margin, and the service agreement subsidy or premium is calculated to deliver that margin. The subsidy/premium is calculated based on costs to achieve the margin 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.

In addition to this contractual profit margin for the Company's TOCs, 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 termination of all the Service Agreements. Cashflows prepared, inclusive of the right to earn a predefined margin under the service agreements, will see the Group operate within the facility.

LNER entered into a new service agreement on 1 April 2025 for a three year period until 31 March 2028, NTL's service agreement at the Balance Sheet date is in place until 7 February 2027, TPT's is until 30 May 2027 and SET's is until 17 October 2027. SET have entered into a restated service agreement post the balance sheet date effective from 25 May 2025 until 28 May 2028, it is expected that NTL and TPT will enter into new service agreements in due course.

The directors' going concern assessment is for a period of 12 months from the approval of these financial statements to July 2026. Detailed cash forecasts are prepared and shared with the DfT regularly to demonstrate that the Group has sufficient liquidity to meet its liabilities as they fall due. This includes assessment of the ability of DFTO to support the working capital needs of new TOCs as they are brought into the Group under the Public Ownership Programme, with South Western Railway Limited becoming a member of the Group on 25 May 2025.

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

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

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will not seek reappointment under section 485 of the Companies Act, with the appointment of the National Audit Office as auditors to be confirmed following the approval of the financial statements.

The financial statements on pages 80 to 186 were approved by the Board of Directors on 8 July 2025 and signed on its behalf by

Robin Gisby
CEO
8 July 2025

Independent auditors’ report to the members of DfT Operator Limited (formerly DfT OLR Holdings Limited)

Report on the audit of the financial statements

Opinion

In our opinion, DfT Operator Limited (formerly 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 2025 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 Company Statement of Financial Position as at 31 March 2025; the Consolidated Income statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Company Statement of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 2025 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' 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 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 UK tax legislation. 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

8 July 2025

Consolidated Income Statement

For the year ended 31 March 2025

		2025	2024
	Note	£000	£000
Continuing operations			
Revenue			
Passenger revenue		**2,336,640**	2,039,322
Other revenue		**1,508,420**	1,442,083
Total Revenue	2	**3,845,060**	3,481,405
Other operating costs	3	**(3,845,845)**	(3,476,714)
Other Income	6	**66,408**	48,465
Operating profit		**65,623**	53,156
Finance income	7	**10,946**	7,377
Finance expenses and similar charges	7	**(49,584)**	(31,120)
Profit before taxation		**26,985**	29,413
Tax on profit	9	**(7,508)**	(7,120)
Profit for the financial year from continuing operations		**19,477**	22,293
Discontinued operations			
Loss from Discontinued Operations	10	**(797)**	(101)
Profit for the financial year		**18,680**	22,192

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

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 2025

		2025	2024
	Note	**£000**	£000
Profit from continuing operations		**19,477**	22,293
Loss from discontinued operations		**(797)**	(101)
Profit for the year		**18,680**	22,192
Items that will not be reclassified to profit or loss:			
Actuarial loss on retirement benefit obligations	27	**(20)**	(8)
Tax on actuarial loss on retirement benefit obligations	9	**2**	2
Total items that will not be reclassified to profit or loss		**(18)**	(6)
Items that may be reclassified to profit or loss:			
Change in fair value of cashflow hedges		**109**	109
Total items that may be reclassified to profit or loss		**109**	109
Total other comprehensive income for the year		**91**	103
Total comprehensive income for the year		**18,771**	22,295

Consolidated Statement of Financial Position

As at 31 March 2025

		2025	2024
	Note	£000	£000
ASSETS			
Non-current assets			
Intangible assets	11	**11,337**	15,531
Tangible assets	12	**1,022,483**	739,392
Investments	13	**-**	-
Deferred tax asset	18	**1,238**	2,359
		1,035,058	757,282
Current assets			
Inventories	14	**14,833**	14,961
Trade and other receivables: amounts due within one year	15	**439,731**	421,883
Cash at bank and in hand		**415,578**	350,144
		870,142	786,988
Total assets		**1,905,200**	1,544,270
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(731,273)**	(713,372)
Lease liabilities	26	**(349,508)**	(310,744)
Provisions	17	**(48,463)**	(49,319)
		(1,129,244)	(1,073,435)
Non-current liabilities			
Trade and other payables	16	**(28,413)**	(27,750)

		2025	2024
	Note	£000	£000
Lease liabilities	26	**(550,662)**	(281,736)
Provisions	17	**(21,520)**	(4,336)
Deferred tax liability	18	**-**	-
Retirement benefit obligation	27	**-**	(423)
		(600,595)	(314,245)
Total liabilities		**(1,729,839)**	(1,387,680)
Net assets		**175,361**	156,590
EQUITY			
Ordinary share capital	21	**-**	-
Capital contribution	22	**16,100**	16,100
Cashflow hedge reserve	22	**109**	-
Retained earnings	22	**159,152**	140,490
Total shareholders' funds		**175,361**	156,590

The above consolidated balance sheet should be read in conjunction with the accompanying notes. The financial statements on pages 80 to 186 were approved by the board of Directors on 8 July 2025 and were signed on its behalf by:

Robin Gisby, CEO
8 July 2025, Company number: 07141122

Company Statement of Financial Position

As at 31 March 2025

		2025	2024
	Note	**£000**	£000
ASSETS			
Non-current assets			
Intangible assets	11	**-**	1
Tangible assets	12	**34**	7
Investments	13	**93,471**	93,022
Deferred tax asset	18	**540**	1
		94,045	93,031
Current assets			
Trade and other receivables: amounts due within one year	15	**920**	491
Cash at bank and in hand		**82,287**	78,369
		83,207	78,860
Total assets		**177,252**	171,891
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(1,891)**	(15,301)
Total liabilities		**(1,891)**	(15,301)
Net assets		**175,361**	156,590

		2025	2024
	Note	**£000**	£000
EQUITY			
Ordinary share capital	21	**-**	-
Capital contribution	22	**16,100**	16,100
Retained earnings	22	**159,261**	140,490
Total shareholders' funds		**175,361**	156,590

The above balance sheet for the Company should be read in conjunction with the accompanying notes. For the financial year ended 31 March 2025 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 financial statements are prepared. The profit after tax of the Company for the financial year was £18,322k (2024: profit of £20,862k).

The financial statements on pages 80 to 186 were approved by the board of Directors on 8 July 2025 and were signed on its behalf by:

Robin Gisby
CEO
8 July 2025

Company number: 07141122

Consolidated Statement of Changes in Equity

For the year ended 31 March 2025

	Ordinary share capital	Capital contribution	Cashflow hedge reserve	Retained earnings	Shareholders' Total funds
	£000	£000	£000	£000	£000
As at 1 April 2023	-	16,100	(109)	118,304	134,295
Profit for the year	-	-	-	22,192	22,192
Other comprehensive income /(expense) for the year	-	-	109	(6)	103
Total comprehensive income for the year	**-**	**-**	**109**	**22,186**	**22,295**
As at 31 March 2024	**-**	**16,100**	**-**	**140,490**	**156,590**
Profit for the year	-	-	-	18,680	**18,680**
Other comprehensive income /(expense) for the year	-	-	109	(18)	**91**
Total comprehensive income for the year	**-**	**-**	**109**	**18,662**	**18,771**
As at 31 March 2025	**-**	**16,100**	**109**	**159,152**	**175,361**

Company Statement of Changes in Equity

For the year ended 31 March 2025

	Ordinary share capital	Capital Contribution	Retained earnings	Shareholders' Total funds
	£000	£000	£000	£000
As at 1 April 2023	-	16,100	118,195	134,295
Profit for the year	-	-	20,862	20,862
Other comprehensive income for the year	-	-	1,433	1,433
Total comprehensive income for the year	-	-	22,295	22,295
As at 31 March 2024	-	16,100	140,490	156,590
Profit for the year	-	-	18,322	**18,322**
Other comprehensive income for the year	-	-	449	**449**
Total comprehensive income for the year	-	-	**18,771**	**18,771**
As at 31 March 2025	**-**	**16,100**	**159,261**	**175,361**

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

		2025	2024
	Note	£000	£000
Cash inflow from operating activities	24	**516,154**	557,039
Interest received		**10,959**	7,202
Interest paid		**(111)**	-
Corporation tax paid		**(5,923)**	(1,362)
Net cash inflow from operating activities		**521,079**	562,879
Proceeds from sale of fixed assets		**29**	-
Capital grants received		**9,034**	11,278
Purchase of fixed assets		**(50,905)**	(58,002)
Cash outflow from investing activities		**(41,842)**	(46,724)
Principal element of lease payment		**(364,330)**	(397,980)
Interest element of lease payment	26	**(49,473)**	(31,120)
Cash outflow from financing activities		**(413,803)**	(429,100)
Net increase in cash and cash equivalents		**65,434**	87,055
Cash and cash equivalents at beginning of year		**350,144**	263,089
Cash and cash equivalents at end of year		**415,578**	350,144

Company Statement of Cash Flows

For the year ended 31 March 2025

		2025	2024
	Note	£000	£000
Cash (outflow)/inflow from operating activities	24	**(16,094)**	13,915
Interest received		**105**	949
Interest paid		**-**	(22)
Corporation tax paid		**(56)**	(205)
Net cash (outflow)/inflow from operating activities		**(16,045)**	14,637
Purchase of fixed assets		**(37)**	(6)
Dividend received		**20,000**	20,000
Cash inflow from investing activities		**19,963**	19,994
Cashflow from financing activities		**-**	-
Net increase in cash and cash equivalents		**3,918**	34,631
Cash and cash equivalents at beginning of year		**78,369**	43,738
Cash and cash equivalents at end of year		**82,287**	78,369

Notes to the Financial Statements

For the year ended 31 March 2025

Material 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 Waterloo General Office 2nd Floor, Waterloo Station, London, SE1 8SW.The principal activity of DFTO is the operation of train passenger services in England. Further descriptions of the Company's principal activities are set out on page 14.

The principal accounting policies are set out below.

a) Basis of Preparation

The basis for preparation for these financial statements has been on a going concern basis which the directors consider to be appropriate as our business will continue and is central to the growth of the country economically and socially, as well as the integration of more operators through public ownership. The Government has continually underlined the important role of the rail industry and that it is integral to the Government's strategy.

The directors consider the preparation of the financial statements on a going concern basis to be appropriate due to several specific considerations in the form of:

a. Railways Act 1993 legislation whereby the government has duties to ensure that passenger train services operate at all times;

b. Available funding facilities;

c. Financial security of the ultimate shareholder.

d. The government Public Ownership Programme.

The Secretary of State set up the Company in 2018 in connection with the exercise of their statutory duties. Within the Group's TOC subsidiaries, the Government is contractually bound to support each TOC for the length of the service period. Under the Service Agreements, each TOC is subject to fixed payments in the form of a premium paid to, or service agreement subsidy received from, the Department for Transport. Under the terms of the Service Agreement the TOC is entitled to earn a predefined margin, and the service agreement subsidy or premium is calculated to deliver that margin. The subsidy/premium is calculated based on costs to achieve the margin 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.

In addition to this contractual profit margin for the Company's TOCs, 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 termination of all the Service Agreements. Cashflows prepared, inclusive of the right to earn a predefined margin under the service agreements, will see the Group operate within the facility.

LNER entered into a new service agreement on 1 April 2025 for a three year period until 31 March 2028, NTL's service agreement at the Balance Sheet date is in place until 7 February 2027, TPT's is until 30 May 2027 and SET's is until 17 October 2027. SET have entered into a restated service agreement post the balance sheet date effective from 25 May 2025 until 28 May 2028, it is expected that NTL and TPT will enter into new service agreements in due course.

The directors' going concern assessment is for a period of 12 months from the approval of these financial statements to July 2026. Detailed cash forecasts are prepared and shared with the DfT regularly to demonstrate that the Group has sufficient liquidity to meet its liabilities as they fall due. This includes assessment of the ability of DFTO to support the working capital needs of new TOCs as they are brought into the Group under the Public Ownership Programme, with South Western Railway Limited becoming a member of the Group on 25 May 2025.

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. There have been amendments to IAS 1, IFRS 16, IAS 7, IFRS 7 and IAS 12 effective for accounting periods beginning on or after 1 January 2024. The Company has assessed the impact amendments to accounting standards will have on the financial statements for the year ending 31 March 2025 and there is no expected material 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 (company)

- Defined benefit pension plans – plan assets measured at fair value (group); and
- Derivative financial instruments – measured at fair value (group)

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.

The Group's trading subsidiaries operate as publicly owned train companies under Service Agreements. As in prior year the company continues to account for the pension benefit obligation and IFRS 16 leases according to the remaining life of the Service Agreement. See the Judgements and Estimates section for further information.

b) Principles of consolidation

At the end of financial year 2025, in addition to the four train operators and Train Fleet (2019) Limited (TF19), DfT Operator Limited (DFTO) maintains its ten dormant entities, wholly owned by DfT Operator Limited (parent) listed in note 13 and together, forms the "Group".

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

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

c) Revenue

i) Passenger Rail Services

Passenger income represents amounts agreed as attributed to LNER, NTL, SET and TPT 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, SET and TPT 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 train operators are subject to fixed payments in the form of a service agreement 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 service agreement premium is calculated in order to deliver this margin.

It is calculated with direct reference to costs 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. All TOCS received net subsidy payment in the current and prior year and therefore this is presented within other revenue as detailed in Note 2.

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 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 service agreement 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 can 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) Other income

Other income is represented by sub-lease rental income from sub-leasing trains (in SET and NTL), as well as subsidy in respect of the TransPennine Route Upgrade and Northumberland Line and fuel sales (in TPT and NTL). Income generated from above mentioned activities is recorded in other operating income.

g) 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.

h) 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.

i) 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 10.

TF19 exercised its option to sell its entire Class 365 fleet, its main line of rental income, on 1 July 2021, resulting in its financial performance being presented as a discontinued operation in the Income Statement for both 2025 and 2024. Discontinued operations are presented in the consolidated income statement.

j) 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	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 when an impairment event is identified. Detailed discounted cashflow forecasts are prepared to assess the value in use when either internal or external sources of information have indicated an impairment event.

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.

k) 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

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 fair value less costs to sell and value in use when an impairment event is identified. Detailed discounted cashflow forecasts are prepared to assess the value in use when either internal or external sources of information have indicated an impairment event.

l) 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 (if applicable) 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. Where the expected end of the service period is amended, a reassessment of the lease liability is calculated using the present value of the lease payments payable over the earlier of the remaining service term or the remaining length of the underlying lease contract.

The lease liabilities and right of use assets are impacted by the extension of the train operator's Services Agreement, see the critical judgment note 1(t) for further details. Where the expected end of the service period is amended, a remeasurement of the lease liability is calculated using the present value of the lease payments payable over the earlier of the remaining service term or the remaining length of the underlying lease contract. The remeasurement adjustment is also added to the right of use asset carrying value. The change is accounted for as a remeasurement rather than as a lease modification due to the fact that the extension option is conveyed by the original contract terms. Under this approach the incremental borrowing rate at the point of the remeasurement is used.

Where there is a change to the scope of a lease such as adding or terminating the rights to use one or more of the underlying assets, or extending or shortening the contractual lease term, this is accounted for as a lease modification. The associated lease asset and liability is adjusted by discounting the revised lease payments using a revised incremental borrowing rate.

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 operating income.

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 x 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.

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 other income 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, 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 Company in the year was in line with the latest certified schedule of contributions (SOC) which was signed in 2024 based on the results of the 2022 triennial valuation. The 2016 and 2019 funding valuations have now also been signed. The next triennial valuation will take place at 31 December 2025.

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 Company does not account for uncommitted contributions towards the sections Pension Obligation outside the franchise period. This reflects the legal position that a proportion of the Pension

Obligation] and current year service costs will be funded in future years beyond the term of the current franchise and committed contributions.

As a result, the Company consequently makes an adjustment to both the Pension Obligation and service costs 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 Pension Obligation 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).

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

DFTO contributes to a defined contribution scheme as part of the British Rail (BR) Section in the RPS. DFTO 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.

DFTO (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 DFTO 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, for the company they comprise trade and other receivables, trade and other payables and cash. Trade receivables are recognised initially at the amount of consideration that is unconditional. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. Financial instruments are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Group and company 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 affect 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. Accounting under Service Agreement – pensions and leases

The group continues to account for the pension benefit obligation and IFRS 16 leases according to the life of the Service Agreement. The impact of this is as follows:

- The Income Statement Franchise Adjustment Method is used when accounting for pensions, see accounting policy (p).
- The term used when evaluating leases under IFRS 16 is the shorter of the remaining Service Agreement and the full remaining term as per the underlying lease.

1 It is considered appropriate to continue to apply the Service Agreement assumption as this is the period over which the group has the right to use the underlying asset for leases or is responsible for the administration of the pension scheme. As is noted in the Strategic Report the government has entered into a public ownership programme during the year meaning that there is the potential for the group to continue to operate beyond the term of the current Service Agreement. However, it is considered that there is significant uncertainty around the future legal entity structure of the rail industry under Great British Railways, meaning that it is not currently possible for management to reasonably expect that the current legal entity will continue to operate beyond the expiry of the current Service Agreement period.

ii. Pensions – estimate

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

The pension assumptions may vary due to actual changes in market conditions following the consolidated statement of financial position date, but IAS 19 requires the assumptions to be set based on the market conditions prevailing at the reporting date. The pension assumptions are also affected by judgments the Directors are required to make on matters that cannot be directly observed from market prices such as life expectancies, future pay increases, harder to value assets and the criteria for bonds to be included in the population from which the discount rate is determined. Note 27 provides information on the sensitivity of pension benefit obligations to changes in assumptions.

iii. 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.

iv. LNER service agreement term assumption estimate

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 March 2025 for LNER to operate trains and stations until 31 March 2028.

As a consequence of the revised Service Agreement, all leases were remeasured during the year to reflect the new end date of the Service Agreement of 31 March 2028.

iv. NTL service agreement term assumption estimate

Northern Trains Limited operates as a publicly owned train company through a Service Agreement originally awarded on 1 March 2020 by the Secretary of State for Transport. A revised contract was agreed in February 2022 for NTL to operate trains and stations across its network until 1 March 2025. The Service Agreement was extended to 7 February 2027 in the year.

As a consequence of the extension to the Services Agreement, the property leases were remeasured during the year to reflect the new end date of the Service Agreement of 7 February 2027. Leases for rolling stock were modified during the year, as they were extended without any change to the underlying assets, and are being recognised over the period to 7 February 2027.

v. SET service agreement term assumption estimate

SE Trains Limited operates as a publicly owned train company through a services agreement originally awarded on 17 October 2021 by the Secretary of State for Transport to operate trains and stations until 17 October 2027. The initial core term of the service agreement was until 13 October 2024, with a termination clause that allows the Secretary of State to terminate the agreement after that date having provided the company with a three months' notice period. In the prior period it was determined that there was no reasonable certainty the Service Agreement would be extended beyond the core term. In the current year it was determined that there is reasonable certainty the company will continue to operate under the service agreement for the full term until 17 October 2027.

As a consequence of the extension to the Service Agreement all leases were remeasured during the year to reflect the new end date of the Service Agreement of 16 October 2027.

vi. TPT service agreement term assumption estimate

TPT operates as a publicly owned train company through a Service Agreement originally awarded on 28 May 2023 by the Secretary of State for Transport to operate trains and stations across its network until 25 May 2025. On 29 November 2024, the Secretary of State for Transport extended the agreement until 30 May 2027.

As a consequence of the extension to the Service Agreement all leases were remeasured during the year to reflect the new end date of the Service Agreement of 17 October 2027.

vii. Accounting for subsidiaries investment judgement – company only

The investments in LNER, NTL, SET, TPT and TF19 have been accounted for at fair value. The Directors consider that in any future transfer of assets to Great British Railways, 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.

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).
- Measurement of lease liabilities – discount rate – The directors have assessed that the discount rates published by HM Treasury Public Expenditure System was a reasonable discount rate to reflect the Company's incremental rate of borrowing for leases where there is no discount rate implicit in the lease. For leases which were extended during the year, a discount rate of 4.81% was applied. Where new leases have been entered into or leases have been modified and therefore remeasured, the relevant discount rate published for that year was applied.

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. The year ended 31 March 2025 includes thirteen four weekly rail periods for LNER, NTL, SETL and TPE, for the year ended 31 March 2024 TPE traded for eleven four weekly rail periods, from 28 May 2023, all other Group companies traded for thirteen four weekly periods.

Revenue, excluding value added tax (VAT) where applicable, is comprised of:	2025 £000	2024 £000
Passenger revenue	**2,373,020**	2,081,372
Delay Repay	**(36,380)**	(42,050)
Passenger revenue	**2,336,640**	2,039,322
DfT service agreement subsidy	**1,341,068**	1,273,907
Other revenue	**167,352**	168,176
Total Other revenue	**1,508,420**	1,442,083
Total revenue	**3,845,060**	3,481,405

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 four train operators is LNER

£88.8m (2024: £36.0m), NTL £672.5m (2024: £648.4m), SET £414.5m (2024: £415.0m) and TPT £165.2m (2024: £174.5m). 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):	2025	2024
	£000	£000
Staff costs (note 5)	**1,041,355**	928,365
Other external charges	**693,003**	567,195
Depreciation (note 12)	**433,832**	430,905
Amortisation of intangible assets (note 11)	**6,655**	8,912
Impairment expense	**3,897**	-
Amortisation of capital grant income	**-**	(15,203)
Inventories recognised as expenses	**108,059**	102,252
Fixed track access	**159,497**	146,594
Fixed depot and station access charges	**231,184**	218,333
Variable access charges	**286,404**	268,475
Other fixed access charges	**150,251**	145,021
Performance incentive (reimbursements)	**(111,258)**	(113,099)
Rolling stock costs	**558,914**	559,588
Traction electricity charge	**228,700**	167,871
Lease items excluded from IFRS 16	**1,965**	9,684
Auditors' remuneration – audit fees: DFTO company	**174**	126
Auditors' remuneration – audit fees: Subsidiaries	**1,002**	1,071
Auditors' remuneration – non audit services:		
– other compliance reporting	**46**	40
British Transport Police charges	**39,428**	37,470
Onerous Lease provision charge	**12,228**	12,601
Loss on disposal of intangible assets	**63**	483
Loss on disposal of tangible assets	**446**	30
	3,845,845	3,476,714

Amortisation of capital grant income is presented in other income to ensure consistency between the group and subsidiary accounts, this is a change in accounting policy, the prior year has not been updated in accordance with IAS 8 as the impact is immaterial to the financial statements.

Rolling stock costs include credits for non-availability of rolling stock from the maintainer of £6.6m (2024: £9.4m). These relate to a contractual performance regime for how many trains are made available to LNER for service each day.

The Onerous Lease provision charge relates to the Mk 5 & Class 68 rolling stock fleets. A decision was made to take those fleets out of service as at 10 December 2023. Consequently, the full cost of the remaining lease contract to 27 April 2024 was recognised as at that date. The lease terms were subsequently extended to allow for the dilapidations conditions in the lease contract to be fulfilled. Both leases are expected to expire in August 2025.

4 Directors' remuneration

	2025	2024
	£000	£000
Emoluments in respect of qualifying services to the Company	**729**	676

The emoluments of the highest paid Director were £244k, relating to the year (2024: £236k), they received pension contribution of £nil (2024: £nil).

5 Staff costs

	2025	2024
	£000	£000
Wages and salaries	**899,611**	806,762
Social security costs	**92,206**	78,773
Other pension costs	**49,538**	42,830
	1,041,355	928,365

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

	2025	**2024**
Managerial and administrative	**3,640**	3,375
Operational	**13,336**	12,813
	16,976	16,188

6 Other Income

	2025	2024
	£000	£000
Sub-lease rental income	**2,517**	12,616
Route Upgrade/development income	**42,422**	34,624
Release of transferred provision (note 17(f))	**-**	1,100
Amortisation of capital grant income	**21,469**	125
Other Income	**66,408**	48,465

Route upgrade/development income includes income earnt for providing assistance to Network Rail in developing the Northumberland Line programme of works, and for compensation received from the Department of Transport for costs incurred in supporting the Transpennine Route Upgrade project. National Rail Infrastructure Limited act as the pass-through funder for this arrangement.

7 Finance income and charges

	2025	2024
	£000	£000
Finance income		
Bank interest received	**10,753**	6,958
Pension interest	**20**	175
Other interest received	**173**	244
Total finance income	**10,946**	7,377

	2025	2024
	£000	£000
Finance charges		
Interest on lease liabilities (IFRS 16)	**(49,473)**	(31,120)
Other interest paid	**(111)**	-
Total finance charges	**(49,584)**	(31,120)

8 Dividend

An intercompany dividend of £20m was received by DFTO during the financial year 2024-2025 for financial year 2023-2024 (2024: £20m relating to year 2022-2023). This has been eliminated in the group consolidation.

9 Tax on profit

a) Tax recognised in the income statement – Continued operations

	2025	2024
	£000	£000
Current taxation:		
Current tax on profits for the year	**5,805**	7,090
Group relief receivable	**(3)**	-
Adjustments in respect of prior years	**503**	2,092
	6,305	9,182
Deferred tax:		
Current year	**2,240**	391
Origination and reversal of temporary differences	**-**	598
Adjustments in respect of prior years	**(1,037)**	(3,051)
Total deferred tax	**1,203**	(2,062)
Total tax charge reported in the income statement	**7,508**	7,120

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

	2025	2024
	£000	£000
Other comprehensive income/(expense) items:		
Current tax current year charge/(credit)	**104**	(814)
Deferred tax current year (credit)/charge (note 18)	**(106)**	812
Tax credit reported outside of the income statement	**(2)**	(2)

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

The tax assessed for the year is higher (2024: lower) than the standard rate of corporation tax in the UK of 25% (2024: 25%). The tax charge is made up as follows:

	2025	2024
	£000	£000
Profit before taxation	**26,985**	29,413
Profit before taxation multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	**6,746**	12,353
Fixed asset differences	**6,247**	4,894
Expenses not deductible	**226**	50
Income not taxable for tax purposes	**(5,174)**	(4,277)
Amounts relating to other comprehensive income or otherwise transferred	**26**	-
Exempt amounts	**-**	(5,000)
Group relief surrendered	**3**	-
Payment for group relief	**(3)**	-
Adjustment in respect of prior period – current tax	**503**	2,092
Adjustment in respect of prior period – deferred tax	**(1,037)**	(3,050)
Current tax relating to other comprehensive income	**(104)**	-
Deferred tax relating to other comprehensive income	**75**	-
Temporary not recognised in the computation	**-**	37
Other items	**-**	21
Total tax charge for the year reported in the income statement	**7,508**	7,120

The standard rate of UK corporation tax is 25% (2024: 25%) and was substantively enacted on 24 May 2021, there has been no change to corporation tax rates for the years ended 31 March 2025 or 31 March 2024. Accordingly, deferred tax has been provided at 25%, being the rate at which temporary differences are expected to reverse.

The group is within the scope of the OECD Pillar Two model rules which has been enacted and comes into effect from 1 January 2025. The group has no related current tax exposure as it solely operates in the UK, where the effective tax rate exceeds 15%. The group applies the IAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

d) Tax recognised in the income statement – Discontinued operations

	2025	2024
	£000	£000
Current taxation:		
Current tax charge/(credit) on loss for the year	**3**	(24)
Deferred tax – current year	**24**	-
	27	(24)
Total tax charge/(credit) reported in the income statement	**27**	(24)

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 2025 and 2024.

	2025	2024
	£000	£000
Revenue	**-**	-
Other Income	**-**	-
Total Income	**-**	-
Other operating costs*	**(783)**	(125)
Finance income	**13**	-
Loss before taxation	**(770)**	(125)
Tax on Loss	**(27)**	24
Loss from discontinued operations	**(797)**	(101)

*Auditors' remuneration – audit fees included in Other operating costs were £10k, (2024: £26k).

Net cash inflows from Discontinued operations	**2025**	2024
	£000	£000
Cash (outflow)/inflow from operating activities	(161)	2,057
Cash inflow from investing activities	-	-
Cash inflow from financing activities	13	-
Net cash (outflow)/inflow from activities: Discontinued operations	**(148)**	2,057

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 2023	36,886	966	6,567	**44,419**
Additions	728	-	5,770	**6,498**
Transfer from WIP	7,630	-	(7,630)	**-**
Disposals	(1,923)	-	-	**(1,923)**
At 31 March 2024	43,321	966	4,707	**48,994**
Additions	290	-	3,616	**3,906**
Transfer from WIP	3,535	-	(3,535)	**-**
Disposals	(5,312)	-	-	**(5,312)**
At 31 March 2025	**41,834**	**966**	**4,788**	**47,588**
Accumulated amortisation				
At 1 April 2023	25,405	586	-	**25,991**
Amortisation charged to the income statement	8,613	299	-	**8,912**
Disposals	(1,440)	-	-	**(1,440)**
At 31 March 2024	32,578	885	-	**33,463**
Amortisation charged to the income statement	6,574	81	-	**6,655**
Impairment	-	-	1,382	**1,382**
Disposals	(5,249)	-	-	**(5,249)**
At 31 March 2025	**33,903**	**966**	**1,382**	**36,251**
Net book value				
At 31 March 2024	**10,743**	**81**	**4,707**	**15,531**
At 31 March 2025	**7,931**	**-**	**3,406**	**11,337**

The Company reported no additions in the year (2024: £nil). The net book value at 31 March 2025 was £nil (2024: £1k), with a gross carrying amount of £20k (2024:

£20k) and accumulated depreciation of £20k (2024: £19k).

During the annual impairment review, projects were identified as no longer continuing. Therefore, impairment charges of £1.4m have been recognised in the year.

Amortisation of intangible assets is included within other operating costs in the Income Statement.

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 assets	Work in progress	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2023	19,808	174,893	1,577,750	31,758	**1,804,209**
Transfer In	-	41,436	-	1,339	**42,775**
Remeasurement IFRS 16	-	-	244,254	-	**244,254**
Additions	1,785	2,355	81,316	46,025	**131,481**
Transfer from WIP	26	45,416		(45,442)	**-**
Reclassification	-	-	690	-	**690**
Disposals	(76)	(3,265)	(15,278)	(65)	**(18,684)**
At 31 March 2024	21,543	260,835	1,888,732	33,615	**2,204,725**
Remeasurement IFRS 16	-	-	482,619	-	**482,619**
Modification IFRS 16	-	-	188,279	-	**188,279**
Additions	4,259	4,347	1,195	39,526	**49,327**
Transfer from WIP	-	33,001	-	(33,001)	**-**
Disposals	(277)	(1,505)	(55,989)	-	**(57,771)**
At 31 March 2025	**25,525**	**296,678**	**2,504,836**	**40,140**	**2,867,179**
Accumulated depreciation					
At 1 April 2023	5,069	61,835	943,934	-	**1,010,838**
Transfers in	-	41,436	-	-	**41,436**
Depreciation charged to the income statement	2,435	43,684	384,786	-	**430,905**
Disposals	(40)	(3,228)	(14,578)	-	**(17,846)**
At 31 March 2024	7,464	143,727	1,314,142	-	**1,465,333**
Depreciation charged to the income statement	2,739	49,758	381,335	-	**433,832**
Impairment	-	-	-	2,515	**2,515**
Disposals	(187)	(1,120)	(55,677)	-	**(56,984)**
At 31 March 2025	**10,016**	**192,365**	**1,639,800**	**2,515**	**1,844,696**
Net book value					
At 31 March 2024	14,079	117,108	574,590	33,615	**739,392**
At 31 March 2025	**15,509**	**104,313**	**865,036**	**37,625**	**1,022,483**

Under IFRS16, Right of use assets (RoU) net book value totalled £865.0m (2024: £574.6m), of which £853.7m (2024: £565.9m) related to rolling stock leases, see Note 26.

Depreciation of tangible assets is included within other operating costs in the Income Statement.

During the annual impairment review, projects were identified as no longer continuing. Therefore, impairment charges of £2.5m have been recognised in the year.

The Company had no Right of Use assets.

The Company's reported additional plant and equipment costs of £37k (2024: £6k) in the year bringing total costs at 31 March 2025 of £61k (2024: £24k) and accumulated depreciation of £27k (2024: £17k) a net book value of £34k (2024: £7k).

13 Investments

The Group held the following unlisted investments at 31 March 2025. The principal activity of the below 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	Class of share	No. of shares held					Proportion held
		1 Apr 2023	Additions	31 Mar 2024	Additions	31 Mar 2025	
ATOC Limited	Ordinary (4p)	3	1	4	-	4	20%
Rail Settlement Plan Limited	Ordinary (4p)	3	1	4	-	4	20%
Rail Staff Travel Limited	Ordinary (4p)	3	1	4	-	4	20%
NRES Limited	Ordinary (£1)	3	1	4	-	4	20%

The registered office address for all of the above entities is First Floor North, 1 Puddle Dock, London, England, EC4V 3DS.

The Group holds an investment in associate of 25.8% (2024: 25.8%) of the ordinary share capital in West Yorkshire Ticketing Company Limited which is incorporated in the UK and whose registered address is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT, the company is owned by a number of train 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 not been reflected as a separate note.

Details of investments in the Company's subsidiaries as at 31 March 2025 and as at 31 March 2024 are as follows, DFTO holds 100% ownership of each subsidiary:

Name of company	Country of registration	No. of shares held	Class of share	Fair value Company 2025	 Company 2024
				£'000	£'000
London North Eastern Railway Ltd**	UK	1	Ordinary (£1)	**6,423**	21,825
SE Trains Ltd***	UK	1	Ordinary (£1)	**26,185**	18,699
Train Fleet (2019) Ltd	UK	16,100,100	Ordinary (£1)	**7,085**	7,882
Northern Trains Ltd****	UK	1	Ordinary (£1)	**50,187**	42,524
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)	**3,591**	2,092
Chiltern Rail Ltd*	UK	1	Ordinary (£1)	**-**	**-**
WM Trains Ltd*	UK	1	Ordinary (£1)	**-**	**-**
Midlands East Trains Ltd*	UK	1	Ordinary (£1)	**-**	**-**
Thameslink Southern Great Northern Ltd*	UK	1	Ordinary (£1)	**-**	**-**
Total Investments				**93,471**	**93,022**

* Combined investment, less than £1.5k, these subsidiaries have claimed the audit exemption for the year ended 31 March 2025 under Section 479A of the Companies Act 2006. The registered address for all these subsidiaries is Great Minster House 4th Floor, Public Ownership Programme Team, 33 Horseferry Road, London, England, SW1P 4DR.

**LNER registered address: West Offices, Station Rise, York, England, YO1 6GA

***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.

*****TPT registered address: 7th Floor, Bridgewater House, 58-60 Whitworth Street, Manchester, England, M1 6LT.

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 Statement of Comprehensive Income as a result of the change in fair value is a gain of £0.4m (2024: gain of £1.4m). The level 3 inputs reflect the assumptions that market participants would use when pricing the investments.

14 Inventories

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Raw materials and consumables	14,833	14,961	**-**	-

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 £108.1m (2024: £102.3m). 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 £3.0m (2024: write off £2.8m)

15 Trade and other receivables: amounts due within one year

Amounts falling due within one year:	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Trade receivables:				
Rail Settlement Plan	**118,607**	105,378	**-**	-
Other trade receivables	**94,104**	87,611	**-**	43
	212,711	192,989	**-**	43
Amounts owed by group undertakings	**-**	-	**683**	361
Group relief	**-**	-	**-**	-
Value Added Tax receivable	**87,602**	74,625	**146**	50
Prepayments	**92,648**	98,143	**82**	37
Accrued income	**21,455**	23,265	**-**	-
Corporation tax	**3,406**	2,160	**-**	-
Derivative financial instruments	**109**	-	**-**	-
Other receivables	**21,800**	30,701	**9**	-
	439,731	421,883	**920**	491

Amounts owed by group undertakings are unsecured and repayable on demand.

Prepayments includes a highspeed (HS1) track access payment, paid for quarterly in advance £52.6m (2024: £52.4m).

Other trade receivables includes a receipt due from the DfT of £45.8m (2024: £28.4m) representing the difference between final amounts due and the forecasted amounts claimed for the DfT service agreement subsidy.

All trade and other receivables at the Statement of Financial Position date have been assessed for any expected credit losses. This assessment confirmed any expected credit losses to be immaterial. Expenses relating to expected credit losses are included within other operating costs in the Income Statement.

16 Trade and other payables

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Trade payables	**214,484**	183,780	**263**	232
Amounts owed to group undertakings	**-**	-	**711**	14,639
Deferred season ticket income	**36,874**	31,012	**-**	-
Other taxation and social security	**25,420**	19,944	**103**	55
Other payables	**18,836**	22,681	**649**	28
Accruals	**285,887**	306,286	**165**	338
Deferred income	**142,746**	132,507	**-**	-
Deferred capital grant income	**4,610**	16,481	**-**	-
Corporation tax payable	**2,416**	681	**-**	9
	731,273	**713,372**	**1,891**	**15,301**

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Amounts falling due after more than one year:				
Accruals and deferred income	**1,264**	8,361	**-**	-
Deferred capital grant income	**27,149**	19,389	**-**	-

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

Trade payables includes a payment due to the DfT of £27.6m (2024: £34.7m) and other payables a payment due to the DfT of £2.8m (2024: £nil) representing the difference between final amounts due and the forecasted amounts claimed for the DfT service agreement subsidy. Deferred income includes subsidy income received quarterly in advance from the DfT of £52.6m (2024: £52.4m) relating to the year ended 31 March 2025.

Deferred income and deferred season ticket income 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 before year end.

17 Provisions

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Insurance claims (a)	**3,400**	3,485	**-**	-
Dilapidations (b)	**43,002**	31,824	**-**	-
Tribunal (c)	**5,865**	5,621	**-**	-
Onerous contracts (d)	**2,708**	5,931	**-**	-
Other contractual provisions (e)	**15,008**	6,794	**-**	**-**
Passenger compensation provision (f)	**-**	-	**-**	**-**
	69,983	53,655	**-**	-

Provision analysed as:	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Current Provisions				
Insurance claims	**2,989**	3,014	**-**	-
Dilapidations	**21,893**	27,959	**-**	-
Tribunal	**5,865**	5,621	-	-
Onerous Contract	**2,708**	5,931	-	-
Other Contractual Provisions	**15,008**	6,794	**-**	-
Passenger compensation provision	**-**	-	**-**	-
	48,463	49,319	**-**	-
Non-current Provisions				
Insurance claims	**411**	471	**-**	-
Dilapidations	**21,109**	3,865	**-**	-
	21,520	4,336	**-**	-
	69,983	53,655	**-**	-

a) Insurance claims

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
At start of year	**3,485**	2,800	**-**	-
Additions	**-**	-	**-**	-
Charged to the income statement	**1,595**	2,178	**-**	-
Released in the year	**(756)**	(1,332)	**-**	-
Utilised in the year	**(924)**	(161)	**-**	-
Provision at end of year	**3,400**	3,485	**-**	-

The £3.4m (2024: £3.5m) 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	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
At start of year	**31,824**	21,522	**-**	-
Provision transferred in from LSER	**-**	119	**-**	-
Provision transferred in from First TPE	**-**	2,671	**-**	-
Provision transferred in from rolling stock manufacturer	**-**	1,877	**-**	-
Transferred in from accruals	**904**	-	**-**	-
Charged to the income statement	**20,102**	10,421	**-**	-
Released in the year	**(2,696)**	(871)	**-**	-
Utilised in the year	**(7,132)**	(3,915)	**-**	-
Provision at end of year	**43,002**	31,824	**-**	-

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. Dilapidations represent the estimated end of contract return liability on lease contracts for Rolling Stock and Property held during the year.

Included within SET dilapidations is £nil (2024: £0.1m) 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. A depot dilapidation provision was transferred in from LSER and is stated at agreed cost £5.2m (2024: £5.3m), of which £0.1m (2024: £0.8m) has been utilised.

Utilisation of Dilapidations liabilities in the year occurred when agreed upon works as at transition were completed.

c) Tribunal

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
At start of year	**5,621**	5,326	**-**	-
Charged to the income statement	**244**	295	**-**	-
Provision at end of year	**5,865**	5,621	**-**	-

The Tribunal provision £5.9m (2024: £5.6m) represents the estimated liability including legal fees associated with claims against the Company 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 2025/26.

d) Onerous Contracts

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
At start of year	**5,931**	-	**-**	-
Charged to the income statement	**12,228**	12,601	**-**	-
Utilised in the year	**(15,451)**	(6,670)	**-**	-
Provision at end of year	**2,708**	5,931	**-**	-

The Onerous Contract provision relates to the Mk 5 & Class 68 rolling stock fleets. A decision was made to take those fleets out of service as at 10 December 2023. Consequently, the full cost of the remaining lease contract to 27 April 2024 was recognised as at that date. The lease terms were subsequently extended to allow for the dilapidations conditions in the lease contract to be fulfilled The provision has been released against lease payments made. Both leases are expected to expire August 2025.

e) Other contractual provisions

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
At start of year	**6,794**	-	**-**	-
Additions	**-**	6,794	**-**	-
Charged to the income statement	**17,130**	-	**-**	-
Released in the year	**(5,284)**	-	**-**	-
Utilised in the year	**(3,632)**	-	**-**	-
Provision at end of year	**15,008**	6,794	**-**	-

These provisions relate to other contractual liabilities. Payments are expected to be made in respect of these claims as they are settled. Estimates of claim values are based on prior claims history.

f) Passenger compensation provision

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
At start of year	**-**	-	**-**	-
Transferred in	**-**	1,100	**-**	-
Charged to the income statement	**-**	-	**-**	-
Released in the year	**-**	(1,100)	**-**	-
Provision at end of year	**-**	-	**-**	-

The Passenger Compensation provision represents a provision for potential underperformance payouts, transferred across from the predecessor operator. It was released in the prior year.

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**	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Accelerated capital allowances	**(5,224)**	(4,273)	**(7)**	1
Tax credit and loss carry forward	**759**	550	**533**	-
Short-term provision	**5,701**	5,976	**14**	-
Defined benefit pension	**2**	106	**-**	-
Deferred tax asset	**1,238**	2,359	**540**	1

Deferred tax liabilities:	**Group**		**Company**	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Accelerated capital allowances	**-**	-	**-**	-
Short-term provision	**-**	-	**-**	-
Defined benefit pension	**-**	-	**-**	-
Deferred tax Liabilities	**-**	-	**-**	-
Net Deferred tax Asset	**1,238**	2,359	**540**	1

The movement in deferred tax during the year was:

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
At beginning of year	**2,359**	1,085	**1**	2
(Charge)/credit to income statement	**(1,227)**	2,086	**539**	(1)
Other items	**-**	-	**-**	-
Credit/(charge) to OCI (note 9b)	**106**	(812)	**-**	-
Deferred tax asset	**1,238**	2,359	**540**	1

Deferred tax assets and liabilities are assessed for the year using the standard effective rate of corporation tax in the UK of 25% (2024: 25%).

A deferred tax asset of £172,000 has not been provided for in TF19 in relation to the utilisation of tax losses in the future.

19 Financial instruments

	Group		Company	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Financial assets measured at fair value through profit and loss				
Derivative financial instruments	109	-	-	-
Financial assets measured at amortised cost				
Cash and cash equivalents	**415,578**	350,144	**82,287**	78,369
Trade receivables	**212,711**	192,989	**-**	43
Other debtors	**43,255**	53,966	**9**	361
Amounts owed by Group undertakings	**-**	-	**683**	-
	671,653	597,099	**82,979**	78,773
Financial liabilities measured at amortised cost				
Trade payables	**214,484**	183,780	**263**	232
Other liabilities (current)	**67,299**	103,011	**649**	28
Other liabilities (non-current)	**21,520**	13,120	**-**	-
Accrued expenses	**285,887**	306,286	**165**	338
Lease liabilities	**900,170**	592,481	**-**	-
Amounts owed to Group undertakings	**-**	-	**711**	14,639
	1,489,360	1,198,678	**1,788**	15,237

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.

The contractual undiscounted cash flows for lease liabilities are disclosed in Note 26. The accrued expenses and trade creditors are stated above at the undiscounted cash flow amount are expected to mature within one year. Other liabilities (current) consists of other payables of £18,836k and provisions of £48,463k and are expected to mature within one year. Other liabilities (non-current) consist of provisions and are expected to mature within one to two years.

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 2025 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 hedged a proportion of its fuel costs in 2024/25 which provided stability in fuel costs and allowed 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 £175.4m as at 31 March 2025 (2024: £156.6m).

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

21 Ordinary share capital

	Group and Company 2025 £	Group and Company 2024 £
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 87 and (the Company on page 88). 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 DFTO 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 hedged a proportion of its fuel costs in 2025/26 which provided stability in fuel costs and allowed 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	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Contracted	**48,158**	19,364	**-**	-
Authorised but not contracted	**39,900**	16,909		-
Total	**88,058**	36,273	**-**	-

Capital commitments relate to capital projects that the Group is committed to or has approved but not yet contracted as at 31 March 2025, 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	2025 £000	2024 £000
Profit before taxation on continued operation		**26,985**	29,413
Loss before taxation on discontinued operation	10	**(770)**	(125)
Total Profit before taxation		**26,215**	29,288
Adjustments for:			
Depreciation and amortisation	3	**440,487**	424,614
Impairment of fixed assets		**3,897**	-
Net loss on sale of fixed assets		**509**	513
Amortisation of capital grants		**(21,469)**	-
Finance income – net		**(10,848)**	(7,377)
Lease interest expense	25	**49,473**	31,120
Increase in trade receivables		**(19,410)**	(55,510)
Decrease/(Increase) in inventories		**128**	(2,020)
Decrease in other operating assets		**1,955**	2,245
Increase in trade creditors		**30,704**	17,855
(Decrease)/Increase in operating liabilities		**(1,815)**	89,557
Increase in other provisions		**16,328**	26,754
Cash inflow from operating activities		**516,154**	557,039

b) Company Cash flows from operating activities

	2025	*2024
	£000	£000
		(restated)
Profit before taxation	**17,827**	21,067
Adjustments for:		
Depreciation and amortisation	**11**	10
Dividends received	**(20,000)**	(20,000)
Finance income – net	**(105)**	(927)
Decrease in trade receivables	**43**	12
(Increase)/Decrease in other operating assets	**(472)**	28,297
Increase/(Decrease) in trade creditors	**31**	(20)
Decrease in operating liabilities	**(13,429)**	(14,524)
Cash (outflow)/inflow from operating activities	**(16,094)**	13,915

*The cashflow statement for the prior year has been restated to reflect the correct profit for the year of £21,067,000 (the prior year accounts disclosed £1,067,000), and the dividends received during the year of £20,000,000 (the prior year accounts disclosed £nil). There is no change to the total cash inflow from operating activities for the year ended 31 March 2024.

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 SET began operating under a Service Agreement with the Department for Transport. On that date the Franchise assets and liabilities were transferred to the Company, at values to be agreed between the parties. The valuation of fixed assets, stock and dilapidation provisions has now been agreed and settled with LSER.

No balance is owing as at 31 March 2025 (2024: £1.8m). The net cash consideration settled during the financial year was £1.2m. The £0.6m movement is due to a commercial negotiation which was completed and included in the final settlement relating to LSER's claim for certain physical assets, not previously recognised on the balance sheet of LSER.

b) Transfer of London Transpennine Express Limited (TPE) assets and liabilities to TPT

On 27 May 2023, FTPE ceased operations and the Company began operating under a Service Agreement with the Department for Transport. On the date of transfer, the Franchise assets and liabilities were transferred to the Company. The net consideration received by the Company was £14,033,431 and was settled during the prior year. No balance is outstanding at the balance sheet date (2024: £nil).

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

	Year 2023/24 Transfer value £'000
Agreed value – Settled	
Tangible Fixed assets	1,339
Intangible Fixed assets	-
Inventories	553
Prepayments	2,050
Other receivables	33
Cash on hand	131
Dilapidation	(2,671)
Deferred income	(10,809)
Other payables	(4,659)
Net (liability)	**(14,033)**
Cash consideration receivable	**14,033**
Total cash settlement during the year	**14,033**

26 Leases liabilities

Lease liabilities	Rolling Stock	Land & Buildings	Plant & Machinery	Total
	£000	£000	£000	£000
Balance at 1 April 2023	659,632	6,365	688	**666,685**
Transferred in	-	-	-	**-**
Additions	78,122	1,182	188	**79,492**
Remeasurement	236,762	6,940	582	**244,284**
Interest	30,949	147	24	**31,120**
Repayment of lease liabilities	(420,828)	(7,352)	(920)	**(429,100)**
Balance at 31 March 2024	584,637	7,282	562	**592,481**
Additions	127	1,068	-	**1,195**
Remeasurement	473,661	7,462	1,422	**482,545**
Modification	188,279	-	-	**188,279**
Interest	49,070	366	37	**49,473**
Repayment of lease liabilities	(406,751)	(6,175)	(877)	**(413,803)**
Balance at 31 March 2025	**889,023**	**10,003**	**1,144**	**900,170**

Balance at 31 March 2025	Rolling Stock	Land & Buildings	Plant & Machinery	Total
	£000	£000	£000	£000
Current lease liabilities	344,512	4,434	562	**349,508**
Non-current lease liabilities	544,511	5,569	582	**550,662**
Total lease liabilities	**889,023**	**10,003**	**1,144**	**900,170**

Balance at 31 March 2024	Rolling Stock	Land & Buildings	Plant & Machinery	Total
	£000	£000	£000	£000
Current lease liabilities	305,557	4,626	562	**310,744**
Non-current lease liabilities	279,080	2,656	-	**281,736**
Total lease liabilities	**584,637**	**7,282**	**562**	**592,481**

Right of use assets	Rolling Stock	Land & Buildings	Plant & Machinery	Total
	£000	£000	£000	£000
Balance at 1 April 2023	627,391	5,762	663	**633,816**
Transferred in	-	-	-	**-**
Additions	79,710	1,418	188	**81,316**
Disposals	(700)	-	-	**(700)**
Remeasurement	236,732	6,940	582	**244,254**
Reclassification	690	-	-	**690**
Depreciation for the year	(377,971)	(6,033)	(782)	**(384,786)**
Balance at 31 March 2024	**565,852**	**8,087**	**651**	**574,590**
Additions	**127**	**1,068**	**-**	**1,195**
Disposals	**(312)**	**-**	**-**	**(312)**
Remeasurement	**473,479**	**7,718**	**1,422**	**482,619**
Modification	**188,279**	**-**	**-**	**188,279**
Depreciation for the year	**(373,761)**	**(6,736)**	**(838)**	**(381,335)**
Balance at 31 March 2025	**853,664**	**10,137**	**1,235**	**865,036**

	Rolling Stock	Land & Buildings	Plant & Machinery	Total
	£000	£000	£000	£000
Lease amounts recognised in operating costs:				
Year ended 31 March 2025	**12,808**	**142**	**746**	**13,696**
Year ended 31 March 2024	8,841	184	659	9,684

Maturity analysis – contractual undiscounted cashflows:

	£000
Less than 1 year	402,059
1 to 2 years	382,016
2 to 3 years	209,385
Total undiscounted lease liabilities at year end	**993,460**

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

For LNER the remeasurement in the year relates to the extension of the service period to 31 March 2028 from the previous end date of June 2027. As a result of this there is an increase in the asset value and recognised liability as at the balance sheet date. This is accounted for as a remeasurement with the incremental borrowing rate being revised as the point of remeasurement as per the group's accounting policy.

For TPT the remeasurement in the year relates to the extension of the service period to 30 May 2027 from the previous end date of 25 May 2025. As a result of this there is an increase in the asset value and recognised liability as at the balance sheet date. This is accounted for as a remeasurement with the incremental borrowing rate being revised as the point of remeasurement as per the group's accounting policy.

For NTL the modification to rolling stock leases during the year is as a result of leases for rolling stock which expired during the year being extended. This is accounted for as a modification as it does not increase the scope of the leases with regards to the underlying assets. The remeasurement for property leases in the year relates to the extension of the service period to 7 February 2027 from the previous end date of 1 March 2025. The change of accounting judgement, as detailed in note 1, has led to an increase in the asset value and recognised liability as at the balance sheet date. This is accounted for as a remeasurement with the incremental borrowing rate being revised as the point of remeasurement as per the group's accounting policy. The remeasurement for rolling stock leases in the year is as a result of the finalisation of lease agreements for existing rolling stock which were agreed during the year.

For SET the remeasurement in the year relates to the extension of the service period to 16 October 2027 from the previous end date of 13 October 2024. As a result of this there is an increase in the asset value and recognised liability as at the balance sheet date. This is accounted for as a remeasurement with the incremental borrowing rate being revised as the point of remeasurement as per the group's accounting policy. The modification to rolling stock leases during the year relates to the reduction in the scope of a lease agreement whereby certain units of rolling stock were returned to the lessor, the returned units are shown as disposals within Note 12. The increase in the asset value of the remaining rolling stock leases is due to service period extension to 17 October 2027.

27 Retirement benefit obligations

The Company's subsidiaries, LNER, NTL, SET and TPT operate a final salary pension scheme and are 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.

For LNER employer contributions for the year reflect a rate of 11.70%, 10.32% and 9.90% of Section Pay for Category 60, Category 62 and Category 64 members respectively until 30 June 2024, at which point the rate increased to 12.48%, 10.92% and 10.44% respectively.

For NTL employer contributions for the ex-North East Section (including transferred-in ex-East Midlands members) for the year reflect a rate of 11.00% and

9.50% of Section Pay for Category 60 and Category 62 Members respectively until 30 June 2024, at which point the rate increased to 11.81% and 10.28%, respectively. This rate is expected to continue until 30 June 2025 at which point the rate increases to 12.60% and 11.04% respectively. Employer contributions for the ex-North West Section for the year reflect a rate of 13.32% and 11.76% of Section Pay for Category 60 and Category 62 Members, respectively until 30 June 2024, at which point the rate reduced to 12.60% and 11.04% respectively.

For SET employer contributions for the year reflect a rate of 10.92% and 9.42% of Section Pay for Category 60 and Category 62 members respectively until 30 June 2024 at which point the rate increased to 11.70% and 10.20% respectively. These rates will be changing as a result of the 31 December 2022 triennial valuation to 12.48% and 10.98% respectively from 1 July 2025.

For TPT employer contributions for the ex-Arriva Trains Northern Section Category for the year reflect a rate of 11.63% and 10.07% of Section Pay for Category 60 and Category 62 Members respectively until 30 June 2024, at which point the rate increased to 12.60% and 10.98%, respectively. Employer contributions for the ex-North Western Trains Section for the year reflect a rate of 11.44% and 9.88% of Section Pay for Category 60 and Category 62 Members, respectively until 30 June 2024, at which point the rate reduced to 12.00% and 10.44% respectively.

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 in the year is in line with the latest certified schedule of contributions (SOC) which was signed in 2024 based on the 2022 triennial valuation which was signed during the year. The 2016 and 2019 funding valuations have now also been signed. The next triennial valuation will take place as at 31 December 2025.

The discounted mean term of the Section's DBO was 16 years for LNER (2024: 18 years) at the end of the reporting year, 17 years for NTL and SET (2024: 18 years) and 18 years for TPT (2024: 20 years). 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 2025	LNER 2024	**NTL 2025**	NTL 2024	**SET 2025**	SET 2024	**TPT 2025**	TPT 2024
Active members	**3,198**	2,991	**6,920**	6,735	**4,711**	4,530	**1,885**	1,764
Deferred members	**4,104**	4,109	**3,892**	3,732	**3,168**	3,185	**525**	499
Pensioner members (including dependants)	**2,567**	2,431	**4,514**	4,170	**3,859**	3,705	**542**	496

Asset Data:

At 31 March 2025	LNER	NTL	SET	TPT	Total
	£000	£000	£000	£000	£000
Growth assets	**510,163**	**977,522**	**737,472**	**172,690**	**2,397,847**
Government bonds	**137,836**	**261,690**	**198,047**	**47,687**	**645,260**
Other assets	**122,384**	**224,838**	**171,036**	**41,981**	**560,239**
Total asset value	**770,383**	**1,464,050**	**1,106,555**	**262,358**	**3,603,346**

At 31 March 2024	LNER	NTL	SET	TPT	Total
	£000	£000	£000	£000	£000
Growth assets	663,755	1,265,114	959,179	219,202	3,107,250
Property	-	-	-	-	-
Other assets	121,507	222,843	169,308	41,285	554,943
Total asset value	785,262	1,487,957	1,128,487	260,487	3,662,193

There was a change in investment strategy during the year, approved by the pension scheme Trustee in March 2024 resulting in the scheme investing in Government bonds.

	31 March 2025	31 March 2024
	% pa	% pa
Discount rate	**5.75**	4.85
Future price inflation (RPI measure)	**3.05**	3.10
Future price inflation (CPI measure)	**2.80**	2.80
Pension increases (CPI measure)	**2.80**	2.80
Pensionable Salary increases	**3.05**	3.10

The assumed average expectation of life in years for male and female at age 65 now and at age 65 in 20 years is as follows (before postcode based adjustments for males):

As at 31 March	**LNER**	LNER	**NTL**	NTL	**SET**	SET	**TPT**	TPT
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024
Male currently aged 65	**20.1**	20.1	**20.0**	20.0	**20.1**	20.1	**19.9**	20.0
Male currently aged 45	**21.4**	21.4	**21.4**	21.4	**21.4**	21.4	**21.3**	21.4
Female currently aged 65	**22.5**	22.4	**22.5**	22.4	**22.5**	22.4	**22.4**	22.4
Female currently aged 45	**24.0**	23.9	**24.0**	23.9	**24.0**	23.9	**23.9**	23.9

Defined benefit asset at end of year:

At 31 March 2025	LNER	NTL	SET	TPT	Total
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation at end of year					
Active members	**(300,925)**	**(750,215)**	**(505,995)**	**(167,942)**	**(1,725,077)**
Deferred members	**(131,979)**	**(151,194)**	**(134,239)**	**(30,284)**	**(447,696)**
Pensioner members (incl. dependants)	**(211,244)**	**(354,451)**	**(293,874)**	**(52,139)**	**(911,708)**
Total defined benefit obligation	**(644,148)**	**(1,255,860)**	**(934,108)**	**(250,365)**	**(3,084,481)**
Fair value of assets at end of year	**770,383**	**1,464,050**	**1,106,555**	**262,358**	**3,603,346**
Adjustment for the members' share of surplus	**(50,494)**	**(83,276)**	**(68,979)**	**(4,798)**	**(207,547)**
Surplus expected to be recovered after end of current service period (Franchise adjustment)	**(75,741)**	**(124,914)**	**(103,468)**	**(7,195)**	**(311,318)**
Net defined benefit liability at end of the year 31 March 2025	**-**	**-**	**-**	**-**	**-**
					Total

At 31 March 2024	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation at end of year					
Active members	(309,301)	(774,206)	(522,101)	(169,100)	(1,774,708)
Deferred members	(146,210)	(166,666)	(149,357)	(33,598)	(495,831)
Pensioner members (incl. dependants)	(258,655)	(442,410)	(361,568)	(65,848)	(1,128,481)
Total defined benefit obligation	(714,166)	(1,383,282)	(1,033,026)	(268,546)	(3,399,020)
Fair value of assets at end of year	785,262	1,487,957	1,128,487	260,487	3,662,193
Adjustment for the members' share of deficit	(28,438)	(41,871)	(38,184)	3,224	(105,269)
Surplus expected to be recovered after end of current service period (Franchise adjustment)	(42,658)	(63,227)	(57,277)	4,835	(158,327)
Net defined benefit liability at end of the year 31 March 2024	-	(423)	-	-	(423)

Reconciliation of net defined benefit obligation:

	LNER	NTL	SET	TPT	Total
	£000	£000	£000	£000	£000
Opening net defined (obligation) liability 1 April 2023	-	(3,671)	-	-	(3,671)
Employer's share of P&L expense	(8,053)	(17,233)	(12,354)	(4,244)	(41,884)
Employers' contributions	8,053	20,489	12,354	4,244	45,140
Total gain recognised in OCI	-	(8)	-	-	(8)
Net defined obligation 31 March 2024	**-**	**(423)**	**-**	**-**	**(423)**
Employer's share of P&L expense	**(8,923)**	**(20,199)**	**(13,145)**	**(6,381)**	**(48,648)**
Employers' contributions	**8,923**	**20,642**	**13,145**	**6,381**	**49,091**
Total loss recognised in OCI	**-**	**(20)**	**-**	**-**	**(20)**
Closing net defined benefit obligation at 31 March 2025	**-**	**-**	**-**	**-**	**-**

Profit & Loss (P&L) for the year ended 31 March 2025:

	LNER	NTL	SET	TPT	Total
	£000	£000	£000	£000	£000
Employer's share of service costs	**13,244**	**31,415**	**21,083**	**11,467**	**77,209**
Franchise adjustment to service cost	**(4,982)**	**(12,650)**	**(9,299)**	**(5,475)**	**(32,406)**
Employer's share of administration cost	**661**	**1,454**	**1,361**	**389**	**3,865**
Total employer's share of service cost	**8,923**	**20,219**	**13,145**	**6,381**	**48,668**
Employer's share of net interest on net defined benefit asset	**(2,265)**	**(3,505)**	**(3,062)**	**91**	**(8,741)**
Interest on franchise adjustment	**2,265**	**3,485**	**3,062**	**(91)**	**8,721**
Employer's share of P&L expense	**8,923**	**20,199**	**13,145**	**6,381**	**48,648**

Profit & Loss (P&L) for the year ended 31 March 2024:

	LNER	NTL	SET	TPT	Total
	£000	£000	£000	£000	£000
Employer's share of service costs	14,916	34,220	24,778	6,416	80,330
Franchise adjustment to service cost	(8,061)	(19,129)	(14,950)	(2,549)	(44,689)
Employer's share of administration cost	1,198	2,317	2,526	377	6,418
Total employer's share of service cost	8,053	17,408	12,354	4,244	42,059
Employer's share of net interest on net defined benefit asset	(1,497)	(1,709)	(795)	(268)	(4,269)
Interest on franchise adjustment	1,497	1,534	795	268	4,094
Employer's share of P&L expense	8,053	17,233	12,354	4,244	41,884

Other comprehensive income (OCI):

For the year ended March 2025	LNER	NTL	SET	TPT	Total
	£000	£000	£000	£000	£000
Gain due to demographic assumptions	**(631)**	**(1,230)**	**(915)**	**(231)**	**(3,007)**
Gain due to financial assumptions	**(30,012)**	**(62,108)**	**(45,840)**	**(15,255)**	**(153,215)**
Loss due to DBO experience	**14,601**	**33,036**	**23,699**	**10,015**	**81,351**
Return on plan assets less than discount rate	**16,042**	**30,322**	**23,056**	**5,471**	**74,891**
Total loss recognised in the OCI for the year ended March 2025:	**-**	**20**	**-**	**-**	**20**

For the year ended March 2024	LNER	NTL	SET	TPT	Total
	£000	£000	£000	£000	£000
Gain due to demographic assumptions	(7,971)	(15,301)	(11,437)	(629)	(35,338)
(Gain)/loss due to financial assumptions	(1,948)	(52,559)	23,137	6,193	(25,177)
Loss due to DBO experience	35,714	117,480	25,303	4,439	182,936
Return on plan assets greater than discount rate	(25,795)	(49,612)	(37,003)	(10,003)	(122,413)
Total loss recognised in the OCI for the year ended March 2024:	-	8	-	-	8

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 2025:

	LNER	NTL	SET	TPT	Total
	£000	£000	£000	£000	£000
Opening defined benefit obligation at 1 April 2023	684,673	1,332,054	1,033,843	-	3,050,570
Transferred defined benefit obligation	-	-	-	230,684	230,684
Service cost	14,916	34,220	24,778	6,416	80,330
Interest cost on DBO	19,200	37,361	28,973	6,139	91,673
Franchise adjustment to service cost	(8,061)	(19,129)	(14,950)	(2,549)	(44,689)
Interest on franchise adjustment	1,497	1,534	795	268	4,094
Employee contributions	5,233	13,462	8,100	2,795	29,590
(Gain)/Loss on DBO – experience	59,522	100,322	42,171	7,399	209,414
(Gain)/Loss on DBO – demographic assumptions	(13,285)	(25,502)	(19,061)	(1,048)	(58,896)
(Gain)/Loss on DBO – financial assumptions	(27,391)	(48,494)	(37,104)	25,112	(87,877)
Benefit payments	(22,138)	(42,546)	(34,519)	(6,670)	(105,873)
Defined benefit obligation at 31 March 2024	**714,166**	**1,383,282**	**1,033,026**	**268,546**	**3,399,020**
Transferred defined benefit obligation	**-**	**-**	**-**	**-**	**-**
Service cost	**13,244**	**31,415**	**21,083**	**11,467**	**77,209**
Interest cost on DBO	**20,422**	**39,542**	**29,529**	**7,717**	**97,210**
Franchise adjustment to service cost	**(4,982)**	**(12,650)**	**(9,299)**	**(5,475)**	**(32,406)**
Interest on franchise adjustment	**2,265**	**3,485**	**3,062**	**(91)**	**8,721**
Employee contributions	**5,828**	**13,559**	**8,714**	**4,198**	**32,299**
(Gain)/Loss on DBO – experience	**24,334**	**54,765**	**39,498**	**16,691**	**135,288**
(Gain)/Loss on DBO – demographic assumptions	**(1,051)**	**(2,050)**	**(1,525)**	**(385)**	**(5,011)**
(Gain)/Loss on DBO – financial assumptions	**(105,159)**	**(206,324)**	**(153,385)**	**(45,477)**	**(510,345)**
Benefit payments	**(24,919)**	**(49,164)**	**(36,595)**	**(6,826)**	**(117,504)**
At end of year 31 March 2025	**644,148**	**1,255,860**	**934,108**	**250,365**	**3,084,481**

Reconciliation of value of assets for year ended March 2025:

	LNER	NTL	SET	TPT	Total
	£000	£000	£000	£000	£000
Opening value of section assets at 1 April 2023	731,624	1,377,113	1,053,639	-	3,162,376
Transferred value of section assets	-	-	-	237,416	237,416
Interest income on assets	20,697	39,070	29,768	6,407	95,942
Return on plan assets greater than discount rate	42,991	82,686	61,671	16,671	204,019
Employer's contributions	8,053	20,489	12,354	4,245	45,141
Employee contributions	5,233	13,462	8,100	2,795	29,590
Actual benefit payments	(22,138)	(42,546)	(34,519)	(6,670)	(105,873)
Administration costs	(1,198)	(2,317)	(2,526)	(377)	(6,418)
Value of section assets at 31 March 2024	**785,262**	**1,487,957**	**1,128,487**	**260,487**	**3,662,193**
Transferred value of section assets	**-**	**-**	**-**	**-**	**-**
Interest income on assets	**22,687**	**43,047**	**32,592**	**7,626**	**105,952**
Return on plan assets greater than discount rate	**(26,737)**	**(50,537)**	**(38,427)**	**(9,119)**	**(124,820)**
Employer's contributions	**8,923**	**20,642**	**13,145**	**6,381**	**49,091**
Employee contributions	**5,828**	**13,559**	**8,714**	**4,198**	**32,299**
Actual benefit payments	**(24,919)**	**(49,164)**	**(36,595)**	**(6,826)**	**(117,504)**
Administration costs	**(661)**	**(1,454)**	**(1,361)**	**(389)**	**(3,865)**
Closing value of section assets at 31 March 2025	**770,383**	**1,464,050**	**1,106,555**	**262,358**	**3,603,346**

DBO sensitivity to significant actuarial assumptions:

	Sensitivity	Approximate change in DBO				
		LNER	NTL	SET	TPT	Total
	£000	£000	£000	£000	£000	£000
Discount rate	-1.00% p.a.	116,400	227,483	169,500	50,100	563,483
	+1.00% p.a.	(90,500)	(177,294)	(131,700)	(38,600)	(438,094)
Price inflation (CPI measure) *	-1.00% p.a.	(91,000)	(178,077)	(132,500)	(39,000)	(440,577)
	+1.00% p.a.	115,000	225,348	168,100	49,900	558,348
Salary increases	-0.25% p.a.	(7,100)	(16,859)	(11,300)	(4,000)	(39,259)
	+0.25% p.a.	7,300	17,406	11,700	4,100	40,506
Life expectancy	-1 year	(19,100)	(35,666)	(26,900)	(6,700)	(88,366)
	+1 year	19,100	35,666	26,900	6,700	88,366

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

The sensitivity figures are as at 31 March 2025. Note that these scenarios do not represent upper or lower bounds on what could happen. The sensitivity ranges have been updated from those disclosed in the prior year financial statements due to the increased volatilities in assumptions values over the year.

The expected future contributions including employee and employer contributions are £17,129k for LNER, £34,201k for NTL, £27,115k for SET and £13,128k for TPT.

28 Contingent Liabilities

A legal matter with regards to the use of the Single Justice Procedure to prosecute certain specific offences was disclosed in the prior year accounts. Subsequent to the year end a further issue has been identified with regards to historic prosecutions which have been made by the Group. This is an emerging issue and at the time of the approval of the accounts there is no way to reliably estimate the value of any possible liability or the extent of any obligation arising in respect of the Group. The Group is working proactively with legal advice to assess the extent of any possible liability or obligation arising on the Group.

29 Related party disclosures

DfT Operator 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 31 March 2025, the Company had no outstanding balances owed to or from the Secretary of State for Transport (2024: £nil).

The Company’s subsidiaries, London North Eastern Railway Limited (LNER), Northern Trains Limited (NTL), SE Trains Limited (SET) and Transpennine Trains Limited (TPT), operate passenger rail under licence under a services agreement with the Department for Transport.

Under the services agreement the 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 2025 all four train operators received a service agreement subsidy; LNER, £88.8m (2024: £36m), NTL, £672.5m (2024: £648.4m), SET, £414.5m (2024: £415.0m) and TPT, £165.2m (2024: £174.5m, commenced trading 28 May 2023).

As at the year end a total balance of £30.4m was owed to the Department of Transport (2024: £28.6m) and the Group recognised £52.6m of deferred income for subsidy income received in advance (2024: £52.4m). As at the year end £45.8m was owed by the Department of Transport (2024: £28.4m). DFTO company paid £0.2m to the Department of Transport during the year in relation to consultancy and legal fees.

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 Network Rail and the Group are at arm’s lengths and are not classed as related party transactions. During the financial year 2025 approximately, £615.3m (2024: £534.4m) was paid to Network Rail for services. Capital project funding was also received, net of capital costs, of £8.6m (2024: £11.6m) and £40.4m was received in relation to funding for the Transpennine Route Upgrade (2024: £32.9m).

As at the 31 March 2025, balances with Network Rail included receivables of £30.1m (2024: £38.1m) and payables of £81.8m (2024: £74.4m).

On 15 January 2025, Robin Gisby was appointed as a Director of ATOC Limited, since 15 January 2025 the Group made purchases of £1.9m from ATOC Limited, as at the year end a balance of £0.6m was owed to ATOC Limited.

The Group considers its subsidiaries and Network Rail to be material related parties (and therefore transactions with Network Rail are disclosed), and all other entities within the government as non-significant related parties (which are therefore not disclosed).

30 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, SW1P 4DR. There is no parent undertaking group which consolidates these financial statements.

31 Post balance sheet events

On 25 May 2025, the operation of all South Western Railway services transferred from First MTR South Western Trains Limited to South Western Railway Limited (‘SWR’), a DFTO subsidiary. SWR was given a Service

Agreement contract by the DfT to operate for a period of three years. Funding agreements were also put in place which give SWR access to sufficient funds for the required operations. All assets and liabilities were transferred to SWR, at values to be agreed between the parties excluding Rosco leases and the pension scheme.

On 21 May 2025, SET signed an Amendment and Restatement Agreement with the Secretary of State for Transport and DfT Operator Limited (DFTO) in respect of its service agreement originally awarded on 17 October 2021. The agreement came into effect on 25 May 2025 and extends the term of the service agreement to 28 May 2028 or such other later date as the Secretary of State determines. The Amendment and Restatement Agreement removes a termination clause that allowed the Secretary of State to terminate the service agreement, having given the Company three months' notice period, after the core term of the service agreement ended on 13 October 2024.

On 29 May 2025, SET signed a tripartite agreement with the DfT and Lloyds General Leasing Limited (Lloyds) to transfer the leases of Ashford Light Maintenance Depot and Ramsgate Light Maintenance Depot to Southeastern. The facilities were previously operated by SET under a sub-lease arrangement with Lloyds. The original agreement under which the facilities were built gave the DfT the option, after a certain number of years, to buy-out Lloyds' sub-lease rights or assign this option to a nominee of its choice. The DfT has assigned the option right directly to SET and provided £36,076,000 funding to buy-out Lloyds. SET will benefit from the new arrangement as it eliminates significant sub-lease payments previously paid to Lloyds and, consequently, reduce subsidies received from DfT.

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