Registration number: 07141122

DfT Operator Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2026

CP 1605

Government of the United Kingdom
Department for Transport

DfT Operator Limited

Annual Report and Consolidated Financial Statements for the Year Ended 31 March 2026

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

July 2026

CP 1605

This publication is available at www.gov.uk/official-documents.

ISBN 978-1-5286-6694-7

E03639762 07/26

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of
His Majesty's Stationery Office

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Company Information

Non-Executive Chair	Sir Andrew Haines, OBE
Chief Executive	Alex Hynes
Chief Financial Officer	Richard Harrison
Non-Executive Directors	Kathryn Cearns, OBE Stephen Murphy Harriet Kemp Laura Shoaf, CBE Anthony Poulter, OBE Charles Donald, CBE
Principal Accounting Officer	Jo Shanmugalingam
Company Secretary	Jenny Henderson
Chair of Audit Committee	Kathryn Cearns, OBE
Chair of Remuneration and Nominations Committee	Harriet Kemp
Registered office	Waterloo General Office 2nd Floor Waterloo Station London England SE1 8SW
Independent auditors	National Audit Office Comptroller and Auditor General (Statutory Auditor) 157-197 Buckingham Palace Road Victoria London SW1W 9SP

Chair’s Overview for the Year Ended 31 March 2026

It was an honour to be asked by the Secretary of State for Transport to become Chair of DfT Operator (DFTO) and deliver on her objectives for the future of Great Britain’s railway. I want to thank my predecessor Richard George for his work steering DFTO, and when it was DfT OLR Holdings Limited, into what the organisation had become by February 2026.

I joined DFTO having retired as Chief Executive of Network Rail for seven years and before that held various leadership roles in the railway some of them dating back into British Rail. So it’s with some experience that I can say that nothing since privatisation in the 1990s can compare to the journey we are on today, bringing track and train together, publicly owned and delivering for the passenger and taxpayer under Great British Railways (GBR).

DFTO is a unique organisation, rapidly growing and different by design. We are the Government’s public sector rail owning group. Our job is to bring all Department for Transport (DfT) managed train operating companies into public ownership ahead of GBR, to ensure they operate efficiently for the benefits of customers and taxpayers alike and – just as importantly – to work in partnership with colleagues in Network Rail to begin to deliver the benefits of reform now as well as preparing for GBR.

Today, DFTO oversees nine TOCs – more than half of the operators that will eventually sit within GBR. In the last financial year, we welcomed South Western Railway, c2c, Greater Anglia and WM Trains and already since the year end Greater Thameslink Railway (GTR), the biggest of the train operators, has joined the portfolio. These operators joined a growing organisation already responsible for LNER, Northern, Southeastern and TransPennine Express.

This growth of our operator group is not a trivial undertaking, requiring skill and dedication to successfully deliver a smooth transition not only for the overall businesses but for the many thousands of new colleagues for whom this is also a brand new world. And most importantly of all to ensure that customers don't pay the price of organisational change. So I am immensely grateful to the DFTO teams and their DfT colleagues who have managed these transfers so smoothly, as well as their opposite numbers in the operators. There will be no let-up in financial year 26/27 as we welcome more operators into public ownership ahead of GBR standing up in the third quarter of 2027.

DFTO has had to change and has had to grow. As well as doubling our portfolio of operators, we have more than quadrupled our workforce over this financial year and beyond the year end from 62 to over 300 colleagues, recruiting new teams and transferring 182 Civil Service colleagues from the DfT into DFTO on 1 April 2026, ensuring we have the accountabilities, responsibilities and capabilities to deliver against the Secretary of State’s priorities and create GBR.

We took that opportunity to produce DFTO’s first, and last, business plan to set out a vision for what we’re trying to achieve: Working together to deliver a better railway for everyone in Britain.

DFTO is unique also in that is has a very clear end point. We will be merged into GBR when it formally stands up and DFTO will cease to exist. This presents its own set of challenges and opportunities. I believe the best, quickest and most sustainable way to achieve that is to act and think like GBR now rather than investing in deep foundations for a structure which has such a limited shelf life. This avoids needless cost and distraction, allows colleagues, systems and process to be better prepared for GBR and importantly offers the prospects of taxpayers and customers benefiting from improvements without having to wait for formal implementation post Royal Assent.

The successful introduction of the East Coast Main Line timetable uplift demonstrates the value of coordinated planning and delivery across track and train. Similarly, DFTO operators have taken steps that will enhance the customer experience, including more consistent operational standards and collaborative measures such as cross operator ticket acceptance.

The strengthened partnership between DFTO and Network Rail is reflected in the close joint working now taking place across both organisations, including the early steps we have taken to align our leadership teams within the three already established Integrated Railways: South Eastern Railway, South Western Railway and Anglia Railway.

Of course all of this is not without its challenges. The public and Government rightly expect to see an improved service, an end to fragmentation and a system that pitted track and train against each other. Although we have made good progress and under single leadership teams through Integrated Railways, there are longstanding challenges that our operators have inherited.

But we are making progress. The four operators in public ownership throughout the last financial year have together reduced net subsidy by £64million year on year. The Government has set us a target to reduce costs by a further £205m across all TOCs in the next financial year, and so with more operators coming into the group we can substantially reduce the cost to the taxpayer.

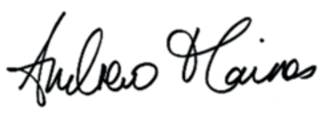
To do that we must increase passenger numbers, and to increase passenger numbers we are going to improve the customer experience by improving performance and the overall customer proposition. The unique cross-industry role being played by the Customer and Revenue Growth (CRG) team is focused on driving up passenger numbers by 1 million extra a week through consistently good customer experience, based on robust analysis of what drives customer satisfaction and making the railway more accessible for all.

The deeply sad incident in Bedford on 19 June 2026, where two East Midlands Railway (EMR) trains collided, reinforces the critical importance of safety. While this incident happened outside the scope of these accounts, it is important that we acknowledge and reflect on its severity and impact. We will work with the operator, RAIB, and the wider industry, to ensure that appropriate lessons are learnt and applied. My thoughts remain with all those involved, as well as their families, friends, and colleagues.

Since becoming Chair, I've appointed three new Board members. Laura Shoaf, Tony Poulter and Charles Donald all offer extremely valuable insight and experience, adding considerable strength to an already strong Board.

Together we are supporting and holding to account our new Chief Executive, Alex Hynes, and his Executive Leadership Team. Alex is leading us with clarity and determination, and I am glad of the opportunity to work with him again, and the wider executive, at this crucial time for the business and wider industry.

I am confident that DFTO will work collaboratively alongside Network Rail and industry partners to achieve the Secretary of State's objectives for rail, as we build GBR and a better railway for everyone in Britain.



Sir Andrew Haines, OBE
Chair
7 July 2026

Chief Executive's Overview for the Year Ended 31 March 2026

DfT Operator (DFTO) sits at the centre of one of the most significant transformations in Britain's railways in a generation. As the Government's rail owning group and delivery partner for its flagship Public Ownership Programme, we are bringing together all Department for Transport (DfT) managed train operating companies under a single ownership and governance framework – laying the foundations for Great British Railways (GBR) in 2027.

Our role is to act as the system leader and owning group for Government owned operators. We set direction, establish consistent standards and bring clarity and accountability across the network. We work across operators and alongside Network Rail to ensure the railway functions as one system and delivers high-quality services for customers. Our vision is *working together to deliver a better railway for everyone in Britain*.

Our shared mission with the DfT is clear. In February 2025, the Secretary of State for Transport, the Rt Hon Heidi Alexander MP, and the Rail Minister, Lord Hendy of Richmond Hill CBE, wrote to then DFTO Chair, Richard George, setting out priorities for DFTO to support their ambition for a railway that is reliable, affordable, efficient, delivers quality and is accessible and safe.

To deliver against these objectives, we built the capability to do so. During 2025/2026, DFTO grew rapidly. On 1 April 2026, we successfully welcomed 200 colleagues from DfT, and colleagues from the Customer and Revenue Growth (CRG) team. CRG is now the first hybrid team working across DFTO and Network Rail, helping deliver benefits for customers and taxpayers. This was a pivotal moment – bringing together the skills, experience and expertise needed not just to run today's railway, but to design the railway of the future.

Alongside this, we have been delivering the Public Ownership Programme: bringing privately owned train operators into public ownership. Over the last year, South Western Railway (May 2025), c2c (July 2025), Greater Anglia (October 2025) and WM Trains (February 2026) transitioned into public ownership, followed by, what is now called, Greater Thameslink Railway shortly after year end. Today, DFTO brings together nine operators, and a further two have had transfer dates announced: Chiltern Railways (September 2026) and Great Western Railway (December 2026), with an additional operator expected to join by the end of the financial year.

Public ownership allows us and Network Rail to do what was not possible before: to truly integrate track and train and stand-up Integrated Railways, which combine Train Operating Companies (TOCs) with the relevant parts of Network Rail infrastructure. South Eastern Railway, South Western Railway and Anglia Railway were stood up soon after transfer of the relevant TOCs and are already delivering the benefits of public ownership and providing a single point of accountability.

South Eastern Railway, the most established of the Integrated Railways, has improved performance, customer satisfaction and has reduced subsidy by almost £47m in the last financial year. South Western Railway and Anglia Railway are now building momentum with strong leadership teams in place, and the opportunity ahead is significant – for passengers and taxpayers.

By working more closely with Network Rail and taking a whole system approach to challenges, we have made progress in areas that matter most to our customers – performance and customer experience.

Our cancellation rate has improved and punctuality has held up, despite operating in a more demanding environment with an increase in the number of train services and station stops.

The newly launched Rail Customer Experience Survey (RCXS) will provide the whole industry with clear data on which we can base our improvement plans and investment decisions, confident that we are delivering what customers want and need.

Over the past year, our operators have continued to achieve impressive outcomes for customers – introducing more capacity, better connections and more flexible ways to travel. In December 2025 a major timetable uplift was introduced on the East Coast Main Line, providing an additional 10,000 London North Eastern Railway services per year and 60,000 extra seats each week, as well as faster journey times.

TransPennine Express continued its recovery and recorded a third consecutive year of growing revenue and the strongest increase in passenger journeys of any operator in Great Britain. The reopening of the Northumberland Line continues to be a success with over one million journeys being made, demonstrating just how important rail is to connect local communities to jobs and opportunities.

Elsewhere, WM Trains and Greater Anglia have opened new stations, linking more customers and communities to the railway. South Western Railway continues to roll out its Arterio fleet delivering 50% more capacity and more comfortable journeys on their suburban routes. Greater Anglia and c2c top the industry’s performance tables by consistently providing a reliable and high performing railway. Operators have also delivered fares, ticketing and retail enhancements, with the expansion of Pay As You Go at more stations across the network.

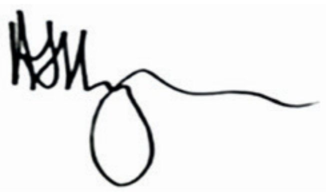
There is more to do. Challenges remain. From industrial relations to the realities of extreme weather, to the need to reduce subsidy while maintaining service quality. These are not small tasks. But they are shared challenges, and we are better placed than ever to tackle them together.

The tragic incident at Bedford where two trains collided and the train driver lost his life and so many people were injured reaffirms the importance of safety. My thoughts remain with the family, friends and colleagues of all those impacted.

Looking ahead, our priorities are clear as set out in our 2026/27 Business Plan: improve service to customers, reduce net subsidy, deliver rail reform, engage and empower colleagues, and prioritise safety and sustainability.

We now have the foundations in place – the people, structure and shared sense of purpose – to make our vision a reality. We will continue to transfer private operators into public ownership and integrate track and train to drive performance up and taxpayer subsidy down, as we work towards the successful delivery of GBR.

None of this would be possible without the people across DFTO and the wider railway who every day are working together to deliver a better railway for everyone in Britain. Their hard work is truly appreciated.



Alex Hynes
Chief Executive, DFTO
7 July 2026

Strategic Report for the Year Ended 31 March 2026

The Directors present their Strategic Report for the year ended 31 March 2026.

REVIEW OF THE BUSINESS

DFTO is the Government's rail Owning Group and delivery partner for its flagship Public Ownership Programme, in accordance with the Passenger Railway Services (Public Ownership) Act 2024. It brings together all DfT managed train operating companies (TOCs) under a single ownership and governance framework, ahead of the creation of Great British Railways (GBR) in 2027.

As of 31 March 2026 DFTO had responsibility for eight TOCs, London North Eastern Railway (LNER), Northern Trains (NTL), Southeastern (SET), TransPennine Express (TPT), South Western Railway (SWR), c2c, Greater Anglia (GA) and WM Trains (WMT), with the latter four having been nationalised within the financial year under the Public Ownership Programme. The Secretary of State has announced that the next three DfT operators to transfer into DFTO in 2026 are Govia Thameslink Railway (GTR) which transferred post balance sheet date on 31 May; Chiltern Railways which will transfer on 20 September 2026; and Great Western Railway which will transfer on 13 December 2026.

Together, DFTO and its operators, working ever more closely with Network Rail and wider industry partners, will deliver a better railway for customers and taxpayers. In practice, this means using the scale of the Group to drive more consistent performance, reduce fragmentation and support faster adoption of proven approaches across operators. For customers, this should translate into a railway that is more reliable, easier to use and better able to respond when disruption occurs, with clearer information, more consistent service standards, improved accessibility and a stronger focus on the end-to-end journey.

For taxpayers, it means a sharper focus on value for money through better coordination of operational and commercial activity, stronger governance and assurance, and the ability to spread best practice, capability and innovation across the portfolio rather than duplicating effort in individual businesses. By bringing operators together under a single ownership framework and strengthening track-and-train collaboration, DFTO is helping to create a more efficient, accountable and integrated railway that can improve outcomes for customers while reducing unnecessary cost and supporting long-term reform.

As of 31 March 2026, DFTO runs over 11,000 services a day and delivers 672 million customer journeys across the network every year. DFTO runs 55% of total DfT TOC passenger journeys and 49% of passenger kilometres, and brings billions of pounds a year in economic value to the places it serves. DFTO TOCs taken together represent the industry overall as they cover long distance, regional and London commuter operations.

DFTO underwent significant transformation during the year as it expanded from four to eight TOCs, prepared for further transfers into public ownership and strengthened its role as the system leader for publicly owned rail operations. This included the transfer of 182 staff from DfT into DFTO on 1 April 2026 and the establishment of offices in Birmingham and Leeds alongside the existing London presence, materially increasing the organisation's capacity and capability. These changes support a more coherent and integrated operating model, strengthen DFTO's ability to support operators and lead portfolio-wide improvement, and form part of the wider work with Network Rail, the DfT and other industry partners to plan for GBR, including future capabilities and the continued integration of track and train.

Progress towards reform was also reflected in the wider external environment. The Railways Bill, which will establish GBR, received its second reading in the House of Commons in December 2025, providing an important legislative milestone and a clearer framework for the next phase of reform. During the year, the future railway also became more visible to customers and stakeholders through the appearance of the GBR visual identity at stations across the United Kingdom, signalling the direction of travel and helping to build recognition of the integrated railway that reform is intended to deliver.

The year also brought important leadership and governance developments. Robin Gisby and Richard George left their roles as Chief Executive and Chair respectively after helping to steer the Group from its inception. The Board were delighted to note that Robin was awarded an OBE in the June 2026 Kings Birthday Honours list for services to the Rail Network. DFTO welcomed new leadership, with Alex Hynes appointed as Chief Executive in December 2025 and Sir Andrew Haines appointed Chair in February 2026. Sir Andrew's appointment, following his period as Chief Executive of Network Rail, and Richard George's move from DFTO Chair to Chair of Network Rail, further strengthened collaboration between the two organisations and supports the transition towards GBR. That alignment was also reflected in the virtually identical letters sent by the Secretary of State to the Chairs of DFTO and Network Rail, underlining the shared expectations placed on both organisations as they work together to improve performance, strengthen integration and prepare for GBR.

Alongside this, DFTO took important practical steps towards a more integrated railway, including the establishment of South Eastern Railway as its first Integrated Business Unit and the appointment of Integrated Managing Directors in preparation for future Integrated Business Units in other parts of the network. These developments have increased DFTO's scale, maturity and ability to improve customer outcomes, support value for money for taxpayers and lead the next phase of rail reform.

DFTO TOCs continued to operate in a range of markets and service types, including long-distance, regional and commuter operations, while contributing to the wider development of a more integrated publicly owned railway. Activity during the year reflected both the immediate priorities of safe, reliable and customer-focused delivery and the objective of supporting reform ahead of the establishment of GBR. This included maintaining and improving day-to-day performance, progressing integration activity with Network Rail, managing transitions into public ownership, investing in customer and operational improvements, and supporting recovery where operating environments remained more challenging.

Operational performance and customer outcomes remained central areas of focus across the portfolio during 2025/26. c2c and GA recorded the highest Time-to-3 measures in the Group, at 91.2% and 91.7% respectively. Customer satisfaction also remained an important measure of delivery, with SET recording 87%, TPT 84% and c2c 82%, while operators across the portfolio continued to focus on accessibility, improved information, visible staffing and better management of disruption in response to customer feedback and insight.

Progress towards integration and reform continued across the portfolio during the year. The creation of South Eastern Railway, in June 2025 marked the establishment of the rail industry’s first fully integrated, publicly owned partnership between SET and Network Rail Kent Route. SWR also progressed formal integration arrangements with Network Rail through the establishment of the second integrated railway, while GA and c2c began transition towards the third integrated railway with Network Rail Anglia. Alongside these developments, TOCs continued to work with Network Rail and wider industry partners to improve resilience, strengthen operational coordination and support the wider transition towards GBR.

In parallel, LNER delivered a number of significant customer-facing and commercial initiatives, including the introduction of the East Coast Main Line timetable uplift in December 2025, which increased LNER daily services between London King's Cross and Newcastle to 32 and created more than 60,000 additional weekly seats, alongside faster journey times. Earlier in the year, new Bradford services added a further 36,000 weekly seats and supported Bradford's City of Culture celebrations, supported by a broader programme of fares reform, digital development, station enhancements, improved onboard connectivity and back-office transformation.

Elsewhere across the portfolio, operators continued to deliver a wide range of activity to improve performance, strengthen resilience and support customers. NTL reported 10% passenger revenue growth, developed a five-year Delivery Plan focused on performance improvement, revenue growth and value for money, and delivered £20 million of capital investment across stations, customer information, accessibility, CCTV, training and wider operational infrastructure. TPT recorded a third consecutive year of financial growth, the strongest increase in passenger journeys of any UK operator, expanded driver recruitment and introduced a more robust December 2025 timetable that reintroduced previously withdrawn services. SET combined integration activity with continued operational improvement and customer-focused initiatives including onboard CCTV, thermal imaging to detect faults, efficient capital delivery during planned closures and continued metro fleet renewal.

Following its transfer into public ownership, c2c maintained a strong punctuality record alongside its consistently strong results in operational performance, service quality, customer outcomes and financial management. GA continued to deliver timetable enhancements, opened Beaulieu Park station, completed improvements across the Stansted Express fleet and progressed wider sustainability, biodiversity and community initiatives. SWR progressed integration with Network Rail, supported off-peak and leisure demand through targeted marketing activity, and continued the introduction of the Arterio fleet across the suburban network. WMT joined the Group in February 2026 and focused during the period on establishing a stable platform for reliability, longer-term investment and improved customer outcomes under its new Service Agreement through to 2029.

TOCs also continued to deliver wider public value through community, stakeholder and sustainability activity. LNER played a leading role in the nationwide commemoration of 200 years of modern railways and delivered more than

£24 million in social and local economic value through its supply chain. GA continued to support biodiversity, adopted stations, community rail partnerships and multimodal integration, while NTL maintained support for community rail partnerships and passenger assistance and continued to work with partners across the North. These developments illustrate the breadth of activity taking place across DFTO TOCs as the Group continues to expand and mature, and the range of work underway across the portfolio to improve customer outcomes, support value for money and contribute to the wider transition towards a more integrated railway.

As the group continues to expand, net assets as of 31 March 2026 are £233.8m (2025: £193.3m restated) and total assets are£2,951.1m (2025: £1,912.3m restated).

Principal risks and uncertainties

During 2026, DFTO continued to operate in a complex and evolving rail environment. The principal risks and uncertainties facing the Group reflect its growing responsibilities as the owning group for publicly owned TOCs, alongside its role in supporting wider rail reform and the transition towards GBR.

Key areas of risk include operational resilience, cyber and technology security, service performance, safety and security, financial sustainability, people and industrial relations, compliance, and the successful delivery of reform. These risks could affect service delivery, customer outcomes, financial performance, stakeholder confidence and the Group's ability to deliver its strategic objectives.

The Group also faces external uncertainty from changing passenger demand, wider economic conditions, infrastructure constraints, extreme weather, workforce availability and the pace and scope of industry reform. DFTO continues to work with its operators, government and industry partners to manage these risks and support safe, reliable and value-for-money rail services.

DFTO's approach is underpinned by governance, assurance, oversight of TOCs, engagement with stakeholders and continued investment in organisational capability. As the Group expands and prepares for GBR, these arrangements will continue to evolve to reflect its increasing scale and responsibilities.

KEY PERFORMANCE INDICATORS

The Group uses a range of key performance indicators (KPIs) to assess how effectively its TOCs deliver against their Business Plans and perform across key financial and operational activities. The most important of these KPIs focus on 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)	Passenger major injuries per 1 million passenger journeys		Workforce lost time accidents per 1,000 employees	
	2026	2025*	2026	2025*
LNER	0.36	0.52	0.51	0.53
NTL	0.17	0.13	0.80	0.74
SET	0.01	0.01	0.68	0.61
TPT	0.03	0.01	4.33	4.94
SWR	0.08	-	0.83	-
C2C	0.18	-	0.00	-
GA	0.15	-	0.28	-
WMT	0.10	-	1.20	-

**2025 data only available for TOCs in public ownership during that year.*

RIDDOR-reportable customer incidents and employee accidents continue to be monitored by each TOC in accordance with statutory reporting requirements and internal safety governance arrangements. At the date of this report, complete and validated Group-level RIDDOR figures for the year were not available. As a result, no numerical total or year-on-year comparison has been included. DFTO continues to work with its TOCs to strengthen consistency of reporting, monitor emerging safety themes and ensure appropriate action is taken to address common causes of accidents and minimise time lost.

Employee assaults remain a serious concern across the rail industry and a key area of focus for DFTO and its TOCs. Complete and validated Group-level figures for employee assaults were not available at the date of this report. The highest individual causes continue to relate to ticket enforcement and dealing with customers reported to be under the influence of alcohol or drugs. The Board remains very grateful for the professionalism and resilience of colleagues in dealing with these difficult circumstances.

The Group's approach to managing this risk remains focused on prevention, colleague support and prosecution where appropriate. Initiatives include the provision of body-worn cameras for frontline conductors, gateline staff and travel safety officers, alongside local operational controls, training and engagement with the British Transport Police (BTP) and other partners. Physical assaults are investigated so that lessons can be identified and further mitigations introduced where required.

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, and will continue to do so as part of its wider commitment to maintaining a safe and respectful railway. Colleagues are empowered to recognise and report poor behaviour. The Group continues to have a strong relationship with the Office of Rail and Road (ORR) as the safety regulator of Britain's Railways.

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

Revenue

Revenue for the financial year ended 31 March 2026 was £5,710.1m, compared with £3,845.1m in the prior year. The increase principally reflects the expansion of the Group during the year, with SWR, c2c, GA and WMT entering public ownership and being consolidated within the Group from their respective transfer dates. Revenue includes passenger ticket income from rail services, associated income from activities such as catering, car parking and commission, and subsidy income receivable from the DfT under the relevant service agreements.

The year-on-year increase was driven by both the additional operators joining the Group and growth in underlying passenger revenue across the existing portfolio. Passenger demand continued to recover during the year, supported by reduced levels of industrial action, a more stable operating environment and operator-led initiatives to encourage travel, improve customer experience and support revenue growth. Several TOCs also delivered targeted commercial activity, including timetable changes, retail and fares initiatives, marketing campaigns and improvements to customer information and service quality.

Service agreement subsidy income remained a significant component of reported revenue. Subsidy received in the year was

£68.2m for LNER (2025: £88.8m), £695.0m for NTL (2025: £672.5m), £367.9m for SET (2025: £414.5m), £145.8m for TPT

(2025: £165.2m), £119.8m for SWR, £29.6m for c2c and £44.2m for WMT. GA did not receive subsidy during the year and instead paid a premium to the DfT of £50.9m.

The subsidy profile reflects the different operating characteristics and commercial positions of the TOCs within the Group, including variation in passenger markets, service patterns and transfer dates for those operators brought into public ownership during the year. The overall revenue result therefore reflects a combination of portfolio growth, continuing passenger revenue recovery and the funding arrangements required to support the delivery of rail services across the Group.

Employee engagement

	Employee Engagement Survey	
	2026	2025*
LNER	83%	81%
NTL	71%	67%
SET	59%	62%
TPT	79%	77%
SWR	N/A	-
C2C	63%	-
GA	81%	-
WMT	N/A	-

**2025 data only available for TOCs in public ownership during that year.*

NB: the engagement surveys at our TOCs are different and therefore any comparison of the outcome results between different TOCs would be misleading. SWR and WMT have not concluded their employee engagement survey since becoming members of the DFTO Group.

Across DFTO TOCs, employee engagement has remained a strong area of focus during 2025/26, reflecting the central role colleagues play in delivering safe, reliable and customer-focused rail services. TOCs have continued to invest in listening programmes, engagement surveys and regular leadership communications to understand colleague experience and maintain connection during periods of operational change, timetable growth and industry reform.

Most operators reported stable or improving engagement outcomes, supported by high participation rates in surveys and increased colleague advocacy in several TOCs. These results reflect sustained attention to visible leadership, clearer alignment between individual roles and organisational objectives, and ongoing investment in professional development, skills and career pathways. Where survey frameworks or methodologies have evolved, this has been done to improve insight and inclusivity rather than to dilute accountability.

Wellbeing has remained a consistent priority across the Group. TOCs have strengthened occupational health provision, employee assistance programmes and early-intervention support, alongside targeted initiatives addressing fatigue, mental health and the impacts of anti-social behaviour. Many operators have also continued to embed inclusion strategies through staff networks, inclusive leadership training and improved workforce data, helping to create supportive and respectful working environments.

Looking ahead, DFTO TOCs recognise the importance of maintaining colleague confidence and engagement as the rail industry moves towards greater integration and reform. Sustained focus on engagement, wellbeing and inclusion will remain critical to supporting operational resilience, enabling change and ensuring the Group continues to attract, develop and retain the skilled people required to run a modern railway.

Customers

Annual average	Customer satisfaction	
	2026	2025*
LNER	70%	69%
NTL	67%	61%
SET	87%	86%
TPT	84%	81%
SWR	70%	-
C2C	82%	-
GA	70%	-
WMT	76%	-

**2025 data only available for TOCs in public ownership during that year.*

Customer experience remained a core priority for DFTO and its TOCs throughout 2025/26, with sustained focus on delivering reliable journeys, clear information and fair outcomes when disruption occurs. Across the portfolio, overall customer satisfaction levels remained broadly stable or improved in several operators, supported by targeted initiatives to enhance station environments, onboard service quality and the consistency of frontline delivery. TOCs continued to prioritise visible staffing, cleanliness and accessibility, ensuring that the day-to-day travel experience meets evolving customer expectations across a diverse network.

TOCs continued to strengthen their use of customer insight to inform decision-making. A range of sources, including continuous satisfaction surveys, journey-stage analysis and industry-aligned measures, were used to monitor performance at a granular level. These insights have supported practical improvements such as increased staff presence at key locations, more responsive cleaning regimes, enhancements to accessibility provision and clearer, more timely information during both planned and unplanned disruption. This data-led approach has enabled TOCs to target interventions where they deliver the greatest impact for customers.

Managing the customer experience during periods of disruption remained a key challenge during the year, particularly in the context of infrastructure constraints and extreme weather events. In response, TOCs strengthened collaboration with Network Rail and industry partners, improved the coordination of operational responses and enhanced customer communications. Several TOCs reported improvements in how disruption is managed, with clearer messaging, better use of digital channels and more consistent frontline support helping to mitigate the impact on passengers and improve satisfaction during disrupted journeys.

Customer-focused innovation continued to be progressed across DFTO, with TOCs enhancing retail and digital channels to make rail travel easier to understand and use. This includes improvements to ticketing platforms, more intuitive digital interfaces and clearer presentation of fare options, alongside targeted marketing campaigns to support recovery in leisure and off-peak markets. These initiatives aim to rebuild passenger confidence, encourage modal shift to rail and ensure that customers perceive rail as a convenient and reliable choice for their journeys. DFTO and its operators have also begun building shared data and digital capability, including new cross-industry data products and common digital foundations designed to support better insight, more consistent decision-making and the responsible adoption of AI.

Looking ahead, DFTO and its TOCs will continue to build on this progress by further embedding customer insight into planning and delivery, and by focusing on areas where the greatest improvements in satisfaction can be achieved. This includes continued investment in digital information channels, further enhancements to accessibility and assisted travel services, and closer alignment with industry partners to improve the end-to-end journey experience. As the sector moves towards wider reform and the establishment of GBR, DFTO will continue to ensure that customer priorities remain central to service delivery, balancing performance, affordability and value for money for both passengers and taxpayers.

Train performance

Moving annual average (MAA)	Time-to-3*		Cancellations	
	2026	2025**	2026	2025**
LNER	72.8%	72.7%	2.8%	3.8%
NTL	78.6%	78.7%	3.5%	5.8%
SET	85.7%	85.2%	2.1%	2.3%
TPT	68.6%	68.8%	4.4%	4.2%
SWR	83.7%	-	2.3%	-
C2C	91.2%	-	0.9%	-
GA	91.7%	-	1.7%	-
WMT	85.7%	-	3.5%	-

**The ‘Time-to-3’ measure records arrivals within 3 minutes of schedule at each station called at along the route.*

***2025 Data only available for TOCs in public ownership during that year.*

Train performance across DFTO’s TOCs showed continued stabilisation and improvement during 2025/26, supported by closer collaboration with Network Rail and an increasing focus on whole-system performance management. Across the portfolio, many TOCs delivered improved punctuality and relatively low cancellation levels, reflecting more consistent day-to-day operations. These outcomes were achieved despite a challenging operating environment characterised by severe weather, infrastructure constraints and a significant programme of planned engineering activity across parts of the network.

Several TOCs reported sustained improvements in underlying reliability, driven by more robust timetable design, strengthened performance governance and enhanced coordination between operators, control functions and infrastructure management. TOCs placed particular emphasis on aligning timetables more closely with available capacity and infrastructure constraints, helping to reduce reactionary delays and improve right-time performance. Where new or expanded services were introduced, these were carefully phased and supported by detailed performance modelling to balance capacity growth with operational resilience and protect punctuality as networks evolved.

TOCs also continued to embed more structured approaches to performance management, supported by improved use of data and analytics. Enhanced monitoring of key performance indicators at route and service level has enabled earlier identification of emerging issues and more targeted operational interventions. This has been complemented by stronger accountability arrangements within joint control environments, with clearer ownership of performance outcomes and more consistent application of recovery strategies during periods of disruption.

External factors continued to place pressure on performance across several parts of the network. Storms, flooding, trespass incidents and infrastructure-related failures affected service delivery in some areas, constraining further performance gains. In response, TOCs have worked increasingly closely with Network

Rail on joint readiness, resilience planning and incident response, including improved contingency planning, better coordination during disruption and faster service recovery. Evidence from several operators indicates that these collaborative approaches are helping to mitigate the impact of external disruption and improve overall network resilience.

Investment in fleet reliability and maintenance capability also supported performance improvements during the year. TOCs continued to refine maintenance regimes, improve fault response times and make better use of rolling stock, reducing the incidence of in-service failures and associated cancellations. In addition, targeted workforce initiatives, including improved training and rostering, have helped strengthen operational resilience and ensure sufficient resource is available to support reliable service delivery.

Looking ahead, train performance remains central to DFTO’s objective of delivering a more reliable and efficient railway. Continued focus on integrated track and train working, enhanced use of performance data, and sustained investment in fleet, infrastructure interfaces and workforce capability are expected to support further incremental improvements. As industry reform progresses and arrangements evolve towards GBR, closer alignment across the system is expected to provide a stronger foundation for sustained performance improvement over the medium term, balancing reliability, capacity and value for money for passengers and taxpayers.

OPERATIONAL REVIEW

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

Vision and strategic objectives

DFTO's vision is "Working together to deliver a better railway for everyone in Britain". By bringing track and train together, DFTO is enabling more joined-up decision-making across the railway, improving performance, enhancing the customer experience and delivering better value for customers and taxpayers. Greater integration will reduce fragmentation across the system, lower subsidy over time and support a simpler, more efficient and more reliable railway.

To support the delivery of this vision, DFTO has continued to build its organisational capacity and capability, including transferring colleagues from the DfT post year end and working more closely with the Customer & Revenue Growth team (based in Network Rail, but very much integrated into the wider DFTO team). These changes strengthen DFTO's ability to lead and coordinate a growing group of publicly owned operators and to drive consistent improvements across the network.

To deliver its vision, DFTO's activity is focused on 5 key strategic objectives:

Improve service to customers.

DFTO is committed to improving service to customers by creating a high-performing railway that is consistently reliable, responsive and shaped around customer needs. This includes developing the organisational capabilities, leadership behaviours and system controls needed to deliver sustainable performance improvement across all operators, supporting the industry's ambition to reduce cancellations and improve punctuality. Improving performance and reliability will make the railway more accessible and attractive, while also delivering better value for money.

Reduce net subsidy.

DFTO is also focused on reducing net subsidy through profitable revenue growth, cross-operator efficiencies and the consistent application of frameworks and best practice across the Group. Customer-centric programmes, including DFTO's Rolling Stock Strategy, Digital, Data and Technology Strategy and Corporate Procurement Strategy, will help to eliminate duplication, reduce fragmentation and deliver efficiencies for taxpayers, while improving the experience for customers and colleagues.

Deliver rail reform.

Delivering rail reform remains central to DFTO's purpose. Further operators will transfer into public ownership during the coming year, with DFTO working closely with Network Rail to establish integrated railways as soon as practicable following each transfer. A safe, smooth and well-paced programme of transfers is essential to enabling greater integration, supporting reform and building a better railway for the long term.

Engage and empower colleagues.

Engaging and empowering colleagues is critical to the success of this transformation. DFTO recognises that colleagues are fundamental to creating the cultures and behaviours needed to keep customers at the heart of decision-making and to deliver sustained improvement. DFTO will continue to strengthen leadership capability, align workforce practices and foster a collaborative organisational culture that supports the next phase of railway transformation.

Prioritise safety and sustainability.

Safety will always remain a priority. DFTO is coordinating expertise, resources and best practice across its operators and working closely with Network Rail's Routes and Regions to maintain and continually improve safety outcomes for passengers, colleagues and the public. Alongside this, DFTO is setting a clear strategic direction on sustainability, supporting operators to reduce carbon, build climate resilience, improve social value and mobility, enhance air quality and biodiversity, and deliver long-term benefits for communities.

By continuing to bring operators into public ownership and establishing integrated railways, DFTO is creating a more joined-up, efficient and customer-focused railway. Delivering these objectives will support a high-performing, safe and sustainable railway that provides value for money for customers and taxpayers while delivering lasting benefits across Britain.

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

Across both DFTO and its TOCs, continued progress has been made to enhance colleague wellbeing and engagement, ensuring colleagues can access support early and benefit from a range of initiatives delivered throughout the year. As the Group continues to grow and evolve, DFTO centre has taken an increasingly active role in shaping a consistent approach to people, culture and capability, working alongside TOCs to embed a shared sense of purpose and a strong, collaborative organisational culture.

Wellbeing strategies across the Group are delivered through experienced occupational health professionals and are designed to reflect the integrated needs of a diverse workforce. These approaches adopt a holistic focus on physical, financial and psychological wellbeing, supported by Group-level frameworks and collaboration that enable the sharing of best practice and the development of common standards. This ensures that colleagues, whether at the centre or within TOCs, benefit from a coherent and aligned approach while retaining the flexibility to respond to local needs.

All colleagues across DFTO have access to Employee Assistance Programmes (EAPs), alongside additional support such as the Railway Benefit Fund and the Railway Mission, with active promotion of these services across both DFTO centre and TOCs. Engagement is further strengthened through participation in industry-wide initiatives such as Rail Wellbeing Live, complemented by leadership development and cultural programmes led at Group level. Together, these efforts support line managers to respond effectively to the needs of their teams, empower colleagues at all levels, and build an integrated, engaged workforce capable of delivering a safe, reliable and high-performing railway.

Our relationship with suppliers and rail industry partners

DFTO and its TOCs have set a Supplier Code of Conduct outlining how they aspire to manage long-term supplier relationships. All suppliers are required to agree to these as part of their contract with DFTO or its TOCs. In addition to commercial aspects, DFTO and all its TOCs have introduced corporate social responsibility measures, such as including social value measures in tender evaluations. DFTO and each of its TOCs are 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 TOCs recognise their responsibility to build and maintain strong and successful relationships with customers, stakeholders and partners. DFTO and its TOCs engage closely with stakeholders within and outside the rail industry on key rail projects on their routes, to understand and shape plans for the future, notably timetable changes and Government decisions on investment. Alongside this, each TOC has strong engagement programmes in place for all stakeholders from political representatives to local authorities and chambers of commerce. Regular communications through newsletters, meetings, forums, events and Parliamentary sessions keep stakeholders abreast of changes to services and other important updates from across the businesses.

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

DFTO's TOCs continue to support the communities they serve through fundraising, volunteering and a broad range of locally focused initiatives. DFTO encourages all of its operators to place passengers and local communities at the heart of decision-making and to deliver social and economic value in the places in which they operate.

Across the portfolio, TOCs have maintained strong community engagement programmes, supporting a range of schemes and initiatives designed to:

- promote social inclusion
- position the railway as an enabler for people and groups who may otherwise be isolated
- support local economies

- contribute to a more sustainable future

Our relationships help us to maintain high standards of business conduct

The DFTO Framework document is being revised to reflect the developing role of DFTO, and the spirit of the document are being worked to. Along with establishing the responsibilities of the DFTO Board, it sets out DFTO's core responsibilities, describes the governance and accountability framework that applies between the DfT and DFTO, and explains how the day-to-day relationship operates in practice, including in relation to governance and financial matters. In doing so, it develops the framework established in DFTO's Articles of Association and is supported, where appropriate, by the Shareholder's reserved matters and delegated authorities. A code of conduct for staff is also in place based on the Cabinet Office's Model Code for Staff of Executive Non-departmental Public Bodies.

The Framework Document also sets out the standards DFTO follows to ensure that information obtained in the course of public service is not misused for personal gain or political advantage, and that public office is not used to promote private interests or those of connected persons or organisations. Directors must comply with the Board's rules on the acceptance of gifts and hospitality, business appointments and conflicts of interest, and must 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. An Operating and Agency Agreement (OAA) is also now in place with the DfT, following the appointment of DFTO to manage some functions as agent for the Secretary of State on 1 April 2026.

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.

As a small organisation, DFTO's own risks are negligible in this area and so no disclosure of the impact of climate change is considered necessary for an understanding of the business of the company. The TOCs make up the majority of the Group's risks and therefore form the disclosures included below. It is acknowledged that further work is required to develop a fully consolidated Group-wide sustainability strategy and scenario analysis. The Group are in the process of ensuring greater alignment between TOCs, and the wider rail industry, to enable group wide disclosures to be provided in future years.

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

All eight TOCs have teams that include specialist Environmental and Sustainability expertise resource. These teams report into each TOC's executive committees at Sustainability Boards, the outputs of which are reviewed at our Safety, Security, Health and Environment Committees (SSHEC) which are chaired by the relevant Safety, Planning and Performance Director who provides leadership on climate and sustainability. They are responsible for reviewing and agreeing goals, climate risks and opportunities; setting the strategic direction and sustainability actions; and monitoring progress against those goals to enable alignment with industry standards and regulatory requirements.

DFTO oversees TOC activity through TOC Board meetings, and the DFTO Group Health, Safety, Security and Sustainability Director chairs each TOC's quarterly Safety, Security, Health and Environment Compliance meeting. Progress towards the Government's net zero targets is reviewed at periodic TOC Board meetings, attended by the relevant Managing Director and Safety and Sustainability Director. Responsibility for governance of climate-related risks and opportunities rests with each TOC, with each net zero plan owned by the relevant Managing Director.

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

DFTO helps to coordinate the work of its TOCs and encourages collaboration with the DfT, Network Rail as well as other rail users. This year each DFTO TOC was asked by the DfT to develop 3-year Weather Resilience and Climate Change Adaptation (WRCCA) Strategies that follow industry guidance developed by the Rail Safety and Standards Board. The development of these Strategies will help the business enhance resilience to the impacts of associated changes to the operating environment and the services DFTO provides across the country.

DFTO TOCs identify and report on corporate risks and opportunities in their own climate-related financial disclosures included in year-end financial reporting. Individual TOC WRCCA Strategies include risk assessments that set out the key risks and vulnerabilities posed by climate change to their operations, alongside adaptation measures defining the actions planned to manage climate risks and enhance resilience. DFTO works in partnership across the Group to enable each TOC to strengthen future resilience and mitigations. For example, rolling stock represents the highest source of energy consumption. Rolling stock age varies across the

DFTO portfolio and, as rolling stock becomes life expired, new rolling stock, predominantly electric powered or using bi-mode or tri-mode power systems, is procured and deployed.

DFTO also works with Network Rail to support its management of climate change impacts, including, for example, the removal of excess water from drainage systems across the infrastructure and built environment in response to increased rainfall. TOCs have undertaken scenario analysis to assess the impact of climate change and identify climate-related risks and opportunities. This scenario analysis is aligned to UK Climate Projections 2018 ('UKCP18') projections, with all TOCs either aligned to, or working to align to, Representative Concentration Pathway ('RCP') 2.6 as a low-impact scenario, RCP 6.0 as a medium-impact scenario and RCP 8.5 as a high-impact scenario. The timeframe considered in this analysis depends on the position of each TOC, but all consider the impact of climate change in the short term, up to five years; medium term, generally from five to 15 years; and long term, generally 15 years and more. The assessment is performed either quarterly or at least every six months by each TOC.

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

DFTO supports the work of its TOCs in managing climate related risks. Each TOC feeds into its SSHEC reviews of the impact of climate change and then into their governance structure, which in turn advises the TOC 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

DFTO holds a Corporate Risk Register. Within the risk register are sustainability and environmental risks. The identified risk is 'Failure to provide an aligned approach to addressing key environmental sustainability requirements such as resource and energy efficiency, waste management and decarbonisation across the Group. Failure to respond to extreme weather conditions caused by climate change'.

The opportunities to further reduce this risk are set out as:

- Establishment of group-wide sustainability and decarbonisation initiatives.
- Improved reporting as TOC sustainability expertise grows.
- Further work with Network Rail, including deepening of alliances and partnerships

All DFTO TOCs have identified, and disclosed, the most significant risks and opportunities relevant to them. Each TOC has considered both physical and transitional risks:

- Physical risks – risks arising from climate change covering both acute disruptive events through to the chronic impact to our operations through rises in temperature and sea levels.
- Transitional risks – those risks inherent in moving to a low-carbon economy, whether that be an orderly or disorderly transition. These are potentially more intangible in this category than physical risks as they include technological, legal, and political considerations and the financial and non-financial impacts these may have.

The following is a summary of the key risks which have been identified:

- Impact of acute climate change resulting in service disruption.
- Loss of routes and assets due to climate change, such as due to increased flooding and coastal erosion.
- Increased operating costs to ensure resilience and adaption.
- Supply chain disruption as a result of climate change.
- Costs of transitioning to a low carbon economy such as carbon pricing and changes to taxation and legislation.

TOCs have also identified a number of opportunities, which are summarised below:

- Modal shift to rail due to warmer temperatures and increased climate change awareness.
- Opportunity for enhanced engagement with suppliers who support responsible business strategic objectives.
- Enhanced engagement with colleagues on climate issues.

Each TOC has considered and disclosed the time horizon and impact of the risks and opportunities which they have individually identified, please refer to the relevant financial statements for each TOC for further information. The timeframes over which these risks are assessed will vary between TOCs depending on their current progress towards net zero and the specific circumstances in which they operate.

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

Each DFTO TOC continues to develop WRCCA strategies and processes to manage climate risk and take advantage of climate related opportunities. Each TOC has either performed, or is in the process of performing, scenario analysis to assess the resilience of the business model and strategy to climate related risks. Further details can be found in each train TOC's financial statements.

DFTO supports TOCs through strategic governance as described above. On major procurement matters, sustainability is an important assessment criterion to enable DFTO to bring focus on opportunities to both mitigate our greenhouse gas emissions and adapt to changing weather associated with climate change. DFTO, along with its TOCs, are currently working on a group wide strategy in conjunction with Network Rail in order to improve understanding of the impact of climate change outcomes. It is important to align the railway system across Network Rail and operators so that it works and is done in a financially responsible manner.

Key performance indicators used to manage climate-related risks

KPIs to manage climate-related risks are set and monitored by each individual TOC in accordance with its needs. The key metric which is targeted for each TOC is tCO2e emissions for Scope 1, 2 and 3, with each TOC setting targets for a phased reduction in emissions over the short and medium term. Refer to the “Environment – Streamlined Energy and Carbon Report” section of the Directors’ Report for the emissions for the year by TOC.

All TOCs are targeting net zero within specified timeframes, which range from 2040 to 2050, depending on their current situation. The different time frames is primarily driven by the procurement of rolling stock to replace diesel powered trains with either electric or battery technology, both of which also require significant infrastructure investment to enable a step change in fuel and emissions.

In addition, we are working to align all TOCs to the Sustainability Blueprint for the rail industry produced by the Rail Safety and Standards Board, to agree a common set of measures for climate resilience and adaption.

Further details on the metrics and targets relevant to each TOC can be found in their individual financial statements.

Anti-bribery and corruption

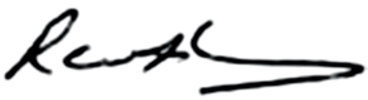
The Group has a zero-tolerance approach towards bribery and corruption. This extends to all our employees, Board members, and third parties, irrespective of financial values involved. The Group has implemented policies relating to bribery and corruption. Employees are required to undertake anti-bribery and corruption training and the Group has a documented anti-bribery and corruption policy. Any suspected cases of bribery or corruption are fully investigated, with disciplinary processes undertaken where appropriate.

Social matters and human rights

The Group adopts a zero-tolerance approach to compromising human rights, including human trafficking, slavery, and forced labour. The Group is committed to taking all reasonably practicable steps to ensure that human trafficking, slavery, and forced labour are not present in our business, processes, and supply chains. In order to ensure compliance with this we have reviewed our procedures to ensure compliance with legal, regulatory and best practice requirements in this area. A modern slavery and human trafficking policy is available to all employees.

The Group expects the same standards from all those it works with including consultants, contractors, suppliers, and third-party representatives working on behalf of the Group. The Group is committed to working with its suppliers to ensure that human trafficking, slavery, and forced labour risks are identified and managed proactively.

On behalf of the Board



Richard Harrison
Chief Financial Officer
7 July 2026

Directors’ Report for the Year Ended 31 March 2026

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2026.

Results and dividend

The Group’s reported financial performance for the year ended 31 March 2026 shows a profit after tax from continuing operations of £31.4m (2025: £21.0m restated 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, (2025: £nil). A dividend of £53m was received by DFTO from its subsidiaries during the financial year 2025-2026 relating to the current and prior financial years (2025: £20m received from LNER relating to year 2024-2025). 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 12.

Directors

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

Non-Executive Chair	Sir Andrew Haines, OBE	Appointed on 2 February 2026
	Richard George	Resigned on 2 February 2026
Chief Executive	Alex Hynes	Appointed on 24 December 2025
Accounting Officer for TF19	Robin Gisby	Resigned on 23 December 2025
Chief Financial Officer	Richard Harrison	

Non-Executive Directors	Chris Gibb	Ceased to be a statutory director on 17 April 2026
	Ashley Ibbett	Resigned on 16 March 2026
	Kathryn Cearns, OBE	
	Steve Murphy	
	Harriet Kemp	Appointed on 8 October 2025
	Laura Shoaf, CBE	Appointed on 24 March 2026
	Anthony Poulter, OBE	Appointed on 24 March 2026
	Charles Donald	Appointed on 24 March 2026

No Director had any interest in the share capital of the Company during the financial year (2025: 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 2025 to 31 March 2026 is stated in the table below. Pay rises were awarded during the year to certain Executive and Non-Executive Directors as outlined in the table below.

		Salary/ fees £ 000	Pension and other benefits £ 000	31 March 2026 £ 000	31 March 2025 £ 000
Richard George	Resigned on 2 February 2026	125	-	125	150
Sir Andrew Haines, OBE	Appointed on 2 February 2026	38	-	38	-
Robin Gisby*	Resigned on 23 December 2025	196	-	196	244
Alex Hynes	Appointed on 24 December 2025	105	9	114	-
Richard Harrison		290	28	318	230
Chris Gibb		50	-	50	50
Ashley Ibett**	Resigned on 16 March 2026	-	-	-	-
Kathryn Cearns OBE		35	-	35	30
Stephen Murphy		35	-	35	20
Harriet Kemp	Appointed on 8 October 2025	19	-	19	-
Laura Shoaf, CBE	Appointed on 24 March 2026	-	-	-	-
Anthony Poulter, OBE	Appointed on 24 March 2026	-	-	-	-
Charles Donald, CBE	Appointed on 24 March 2026	-	-	-	-
Michelle Handforth***	Resigned 31 December 2024	-	-	-	5
		893	**37**	**930**	**729**

* Robin Gisby was employed on the basis of 4 days a week

** Ashley Ibbett was remunerated as Director General for Energy Infrastructure at the Department for Energy Security and Net Zero, he did not receive any additional remuneration for his role as Non-Executive Director of DFTO. A similar situation will apply to Charles Donald for the next financial year.

*** Michele Handforth was remunerated by Network Rail for the majority of her term as a Non-Executive Director. No DFTO Executive Director opted to take a pension in FY25.

DFTO's Remuneration and Nominations Committee reviews on an ongoing basis the appropriateness of the Board of Directors' composition, capabilities and remuneration, taking into consideration the accountabilities and scale of activity that DFTO is charged with delivering.

Indemnification of directors and officers

The Company maintains Directors' and Officers' Liability Insurance. 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 during the financial year.

Research and development

During 2025/26 the Group continued to invest in the development and application of new tools, systems and ways of working to improve operational efficiency, service delivery and customer outcomes. Activity focused on practical innovation, including enhanced use of management information, data analytics and digital systems to support timetable planning, performance management, workforce planning, customer communications and revenue optimisation. Operators worked collaboratively with Network Rail, suppliers and industry partners to develop and trial improvements to operational resilience, fleet reliability, retail systems and customer information, while also progressing industry-led programmes associated with signalling, rolling stock and rail reform. These activities support continuous improvement across the Group, reduce duplication between operators and help ensure DFTO is well positioned to contribute to wider rail reform and the transition towards GBR.

Post balance sheet events

Information on any post balance sheet events is shown in Note 32 to the financial statements.

Corporate governance statement

Corporate governance code:

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

During the year, the Board consisted of the Non-Executive Chair, two Executive Directors being the Chief Executive and the Chief Financial Officer, together with up to seven further Non-Executive Directors (‘NEDs’). 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 for new responsibilities as the company works towards the stand up of GBR.

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 and Nominations 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 two Non-Executive Director members; Tony Poulter and

Charles Donald (current membership at 31 March 2026). The Committee attendees include the DFTO Chair, Chief Executive, Chief Financial Officer, 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 and endorse their remuneration for Board approval.
- 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 TOCs 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 2025/26 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.

Nominations and Remuneration Committee

The Group Nominations and Remuneration Committee is chaired by Harriet Kemp, who replaced Kathryn Cearns as Chair on 8 October 2025, and includes a minimum of two out of four Non-Executive Director members: Sir Andrew Haines, Charles Donald, Laura Shoaf and Steve Murphy (current membership at 31 March 2026). The Executive Directors attend as required.

The Committee carries out the following duties:

- Monitors and advises on remuneration policies across the business.
- Oversees executive and senior remuneration.
- Reviews and approves nominations to the DFTO Board.
- Monitors and advises on Board effectiveness.
- Oversees diversity strategies and objectives for the Board and monitor progress towards achieving them.
- Makes recommendations to the Board regarding talent, succession and performance.

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 and culture within the Company.

Employees

Creating a productive and engaging place to work

As part of DFTO's mission it is important that both DFTO and its TOCs are inclusive employers of choice and productive, engaging places to work. As such, DFTO and its TOCs apply an unrelenting focus on safety (both psychological and physical), inclusion and diversity, wellbeing and involvement to attract, nurture and develop the very best talent available. Across the Group, DFTO and TOC leadership teams promote their respective business purpose, vision and values, which underpin decision-making 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 and its TOCs have continued to make progress in diversifying their workforce and promoting diversity, equity, inclusion and belonging (DEIB) objectives, including through participation in cross-industry forums such as the Diversity & Inclusion Steering Group (DISG) and Rail Unites for Inclusion. Across the Group, DFTO and its TOCs hold memberships of influential DEIB forums and are signatories to Charters such as Women in Rail, Women in Transport, the Race at Work Charter and Investors in Diversity. DFTO and its TOCs have also established a range of effective employee support groups covering different aspects of diversity, with senior sponsorship in place.

Education and Programmes

Across the Group, DFTO and its TOCs provide inclusive leadership training for people managers and leaders at all levels, alongside 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 TOCs are required to assess the impact of services, policies and changes to existing services on equality.

Fair, Equitable and Inclusive Recruitment

Across DFTO and its TOCs, different levels of EDI maturity are currently in place, and plans have been developed to improve representation so that the workforce better reflects the communities served. DFTO and its TOCs are challenged to build diversity and equity into their hiring processes. Examples include blind CV and application sifting, diverse interview and assessment panels, and the use of appropriate personality assessments. Hiring managers are trained to recognise bias in recruitment processes, including unconscious and affinity bias.

Social mobility remains an important focus for talent pipelines across DFTO and its TOCs so that they can be built with diverse candidates. In attracting diverse candidates, DFTO and its TOCs use multiple sourcing channels and work with specialist partners and job boards to broaden reach. Diverse employees are encouraged to refer their connections, and apprenticeships and work experience programmes are targeted towards underrepresented groups, including through early careers partnerships such as The Prince’s 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

Streamlined Energy and Carbon Report:

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

Energy and Environment performance for DFTO for the year ended 31 March 2026 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* 2026	Total** 2025	Carbon *tCO2e 2026	Carbon tCO2e 2025
Energy					
Total gas kWh LNER	1	3,151,882	3,733,233	577	683
NTL		16,797,099	19,455,456	3,581	4,146
SET		5,599,554	7,110,549	1,024	1,301
TPT		673,651	684,613	123	125
SWR		4,875,166	-	892	-
C2C		275,507	-	50	-
GA		8,116,638	-	2	-
WMT		2,571,461	-	470	-
		42,060,958	**30,983,851**	**6,719**	**6,255**
Traction diesel litres LNER	1	5,345,749	5,466,963	14,730	15,064
NTL		51,995,567	50,784,521	175,852	171,756
SET		88,423	78,338	21	19
TPT		28,639,115	28,536,030	78,913	78,628
SWR		10,153,344	-	24,394	-
C2C		5,900	-	14	-
GA		5,143,681	-	14,173	-
WMT		2,350,811	-	6,477	-
		103,722,590	**84,865,852**	**314,574**	**265,467**
Total non-traction electricity kWh LNER	2	10,544,889	10,612,087	1,866	2,197
NTL		26,297,390	26,584,228	6,453	7,237
SET		27,062,989	30,350,160	4,790	6,284
TPT		2,904,198	3,083,256	514	638
SWR		18,013,012	-	3,188	-
C2C		4,021,303	-	823	-
GA		7,564,977	-	1,339	-
WMT		2,344,067	-	415	-
		98,752,825	**70,629,731**	**19,388**	**16,356**
Traction electricity (EC4T) kWh LNER	2	341,000,928	327,500,391	60,357	67,809
NTL		149,635,504	90,673,430	36,721	24,876
SET		545,317,704	488,924,077	96,521	101,232
TPT		57,951,322	55,431,131	10,257	11,477
SWR		266,906,465	-	47,242	-
C2C		74,756,838	-	11,893	-
GA		119,445,791	-	21,142	-
WMT		37,852,881	-	6,700	-
		1,592,867,433	**962,529,029**	**290,833**	**205,394**

	Scope	Total* 2026	Total** 2025	Carbon *tCO2e 2026	Carbon tCO2e 2025
Other sources of emissions***	3				
LNER		-	-	6	7
NTL		-	-	1,898	1,877
SET		-	-	39,469	35,820
TPT		-	-	364	408
SWR		-	-	-	-
C2C		-	-	-	-
GA		-	-	21,485	-
WMT		-	-	15	-
		-	**-**	**63,237**	**38,112**
Total emissions					
LNER		360,043,448	347,312,674	77,536	85,760
NTL		244,725,560	187,497,635	224,505	209,892
SET		578,068,670	526,463,124	141,825	144,656
TPT		90,168,286	87,735,030	90,171	91,276
SWR		299,947,987	-	75,716	-
C2C		79,059,548	-	12,780	-
GA		140,271,086	-	58,141	-
WMT		45,119,220	-	14,077	-
		1,837,403,805	**1,149,008,463**	**694,751**	**531,584**
Other environmental parameters					
Total water (m3)	3				
LNER		110,971	95,306	n/a	n/a
NTL		254,786	211,750	n/a	n/a
SET		239,084	219,917	n/a	n/a
TPT		31,452	52,131	n/a	n/a
SWR		214,338	-	n/a	n/a
C2C		26,829	-	n/a	n/a
GA		87,477	-	n/a	n/a
WMT		-	-	n/a	n/a
		964,937	**579,104**	n/a	n/a
Waste % recycled	3				
LNER		28%	27%	n/a	n/a
NTL		69%	70%	n/a	n/a
SET		23%	22%	n/a	n/a
TPT		52%	57%	n/a	n/a
SWR		56%	-	n/a	n/a

	Scope	Total* 2026	Total** 2025	Carbon *tCO2e 2026	Carbon tCO2e 2025
C2C		91%	-	n/a	n/a
GA		70%	-	n/a	n/a
WMT		43%	-	n/a	n/a

	Scope	Total* 2026	Total** 2025	Carbon *tCO2e 2026	Carbon tCO2e 2025
Intensity ratios					
Carbon emissions per £million turnover					
LNER		n/a	n/a	73	85
NTL		n/a	n/a	186	184
SET		n/a	n/a	111	115
TPT		n/a	n/a	192	196
SWR		n/a	n/a	70	-
C2C		n/a	n/a	85	-
GA		n/a	n/a	154	-
WMT		n/a	n/a	110	-
DFTO Consolidated		n/a	n/a	122	138

** 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 2025 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.*

Decarbonisation remains a core priority across DFTO and its TOCs, reflecting the role of the railway in supporting the Government’s wider environmental and net-zero objectives. During 2025/26, the Group continued to take a pragmatic and operationally focused approach, embedding carbon reduction considerations into business planning, asset management and day-to-day operations, while recognising that progress is dependent on infrastructure availability, rolling-stock capability and wider industry decisions.

Across the portfolio, fleet modernisation and reliability improvement programmes continued to be the most significant contributors to emissions reduction. Operators such as GA, c2c and SWR continued to realise the benefits of newer rolling-stock fleets, which offer improved energy efficiency, regenerative braking and reduced whole-life carbon impacts compared with legacy assets. Elsewhere, operators progressed work to improve fleet reliability and maintenance regimes, reducing excess mileage, idling and unplanned disruption, which in turn supports more efficient energy use.

Several TOCs advanced structured approaches to understanding and managing climate-related risks and decarbonisation pathways. For example, WMT and GA progressed detailed climate-risk assessments and WRCCA strategies, aligned to industry guidance and Network Rail scenarios. These frameworks support more informed decision-making on asset resilience, future investment and the operational impacts of climate change, while also strengthening disclosure through Streamlined Energy and Carbon Reporting.

Operational and estate-based initiatives also continued across the Group. TOCs progressed energy-efficiency measures at stations, depots and offices, including improved monitoring of energy consumption, targeted upgrades to lighting and building systems, and changes to ways of working that reduce unnecessary energy use. Several operators also continued biodiversity and land-management initiatives at stations and depot sites, supporting wider environmental outcomes alongside carbon-reduction objectives.

Collaboration remained a key feature of DFTO’s approach. Operators worked closely with Network Rail on infrastructure programmes that deliver long-term decarbonisation benefits, including electrification schemes, digital signalling and network resilience improvements. DFTO TOCs also engaged with suppliers and industry partners to test new technologies, materials and ways of working, and to ensure that decarbonisation activity is aligned with safety, performance and value-for-money requirements.

Looking ahead, DFTO recognises that the pace and scale of rail decarbonisation will continue to be shaped by long-term funding decisions, infrastructure delivery and industry reform. The Group will continue to work with the DfT, Network Rail and supply-chain partners to support a coordinated transition to a lower-carbon railway, while ensuring that decarbonisation activity is integrated with wider objectives for operational performance, affordability and the transition towards GBR.

During the year the DFTO company occupied part of an office owned by Network Rail, for which the usage of electricity was not billed to the DFTO company, it is therefore not possible for us to accurately determine the level of energy consumed in the period, however any carbon emissions arising would be highly immaterial in the context of the DFTO Group’s emissions.

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 12.

Community engagement

Information on the Company’s engagement with the community is shown in the Strategic Report starting on page 6.

Charitable and political donations

The Group made no political donations in the year (2025: £nil).

The Group made charitable donations totalling £144,000 during the year ending 31 March 2026 (2025: £174,000).

Statement of Directors’ Responsibilities

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. The Directors consider this to be appropriate as the Group is the government's public sector rail owning group. The Government has continually underlined the important role of the rail industry and that it is central to the Government's economic strategy.

The Group is a public corporation of the Department for Transport and 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 Agreement, TOCs either make a premium payment to, or receive a subsidy from the Department for Transport. Under the terms of the Service Agreement the TOC is entitled to earn a pre-defined margin, excluding disallowed expenses, and the service agreement subsidy or premium is calculated so as to deliver this margin. There is no clawback mechanism for payments received, or linkage between calculations from one annual period to the next. The TOCs anticipate that service agreement subsidy payments from the Secretary of State for Transport will continue to be received due to the financial strength of the UK government. At the time of this assessment an AA rating was awarded to the United Kingdom by most credit rating agencies. All the TOCs have a Service Agreement with a duration of at least 12 months from the signing of these financial statements.

In addition to this guaranteed 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 the termination of all of 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.

The Directors' going concern assessment is for a period of 12 months from the approval of these financial statements to July 2027. 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.

The Railways Bill, currently under review by the House of Lords, will create Great British Railways, which could impact the operations of the Group in the future. As at the date of approval of the financial statements it is not considered that the Railways Bill will impact the ability of the Group to continue as a going concern within the going concern assessment period.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

For this reason and on the basis of the above, the Directors consider it appropriate for the Group to adopt the going concern basis in preparing the Company’s and the Group’s annual report and financial statements.

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 National Audit Office were appointed as auditors for the year ended 31 March 2026 following the resignation of PricewaterhouseCoopers. The National Audit Office will be proposed for reappointment in accordance with section 485 of the Companies Act.

The financial statements on pages 88 to 229 were approved by the Board of Directors on 7 July 2026 and signed on its behalf by:

Richard Harrison
Chief Financial Officer

Independent Auditor’s Report to the Members of DfT Operator Limited

Opinion on financial statements

I have audited the financial statements of DfT Operator Limited and its group for the year ended 31 March 2026 under the Companies Act 2006.

The financial statements comprise DfT Operator Limited and its Group’s:

- Consolidated Statement of Financial Position and Company Statement of Financial Position as at 31 March 2026;
- Consolidated Income statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and Company Statement of Cash Flows for the year then ended; and
- related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of DfT Operator Limited and its Group's affairs as at 31 March 2026 and its Group's profit for the year then ended; and
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of the DfT Operator Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that DfT Operator Limited and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the director's going concern assessment for DfT Operator Limited and its Group, including the consideration of the continued provision of rail services and the contractual arrangements in place across the Group's train operating companies;
- Reviewing the relevant service agreements and funding arrangements, including the committed support provided by the Department for Transport to the Group and its train operating companies;
- Reviewing the directors' cash flow forecasts for DfT Operator Limited and its Group's train operating companies, covering a period of at least 12 months from the expected date of approval of the financial statements; and

- Reviewing the adequacy of the disclosures relating to the directors' basis of preparation and going concern assessment.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on DfT Operator Limited and its Group'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.

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

Other information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of DfT Operator Limited and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Director's Responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;

- providing the C&AG with unrestricted access to persons within DfT Operator Limited from whom the auditor determines it necessary to obtain audit evidence.
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing Group financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- preparing the Annual Report in accordance with the Companies Act 2006; and
- assessing DfT Operator Limited and its Group'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 entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (ISAs (UK)).

My 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 a report that includes my 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

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

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of DfT Operator Limited and its Group's accounting policies;
- inquired of management, DfT Operator Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to DfT Operator Limited and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including DfT Operator Limited and its Group's controls relating to DfT Operator Limited's compliance with the Companies Act 2006, employment law, pensions legislation and tax legislation.

- inquired of management, DfT Operator Limited's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and the relevant internal and external specialists, including IT audit, tax and pensions specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within DfT Operator Limited and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of DfT Operator Limited and its Group's legal and regulatory frameworks in whichDfT Operator Limited and its Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of DfT Operator Limited and its Group. The key laws and regulations I considered in this context included the Companies Act 2006, employment law, pensions legislation, tax legislation, the Office of Rail and Road Operator Licence, Railways Act 1993 and 2005 and Health and Safety at Work Act 1974.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Alex Macnab

Alexander Macnab (Senior Statutory Auditor) For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road Victoria
London SW1W 9SP
7 July 2026

Consolidated Income Statement for the Year Ended 31 March 2026

Continuing operations	Note	2026 £ 000	(As restated) 2025 £ 000
Passenger revenue		3,974,886	2,336,640
Other revenue		1,735,187	1,508,420
Total revenue	3	5,710,073	3,845,060
Other operating income	4	62,932	66,408
Other operating expenses	5	(5,678,748)	(3,865,540)
Operating profit		**94,257**	**45,928**
Finance income	6	9,471	10,946
Finance costs	6	(62,035)	(27,909)
Share of profit of equity accounted investees	16	261	-
Profit before tax		**41,954**	**28,965**
Income tax expense	11	(10,570)	(8,003)
Profit for the year from continuing operations		**31,384**	**20,962**
Discontinued operations	12	(192)	(797)
Loss for the year from discontinued operations			
Profit for the year		**31,192**	**20,165**

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

Note 2b provides details of the prior year restatement.

The notes on pages 106 to 229 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2026

	Note	2026 £ 000	(As restated) 2025 £ 000
Profit from continuing operations		31,384	20,962
Loss from discontinued operations		(192)	(797)
Profit for the year		**31,192**	**20,165**
Items that will not be reclassified to profit or loss:			
Actuarial loss on retirement benefit obligations	29	-	(20)
Tax on actuarial loss on retirement benefit obligations	11	-	2
Total items that will not be reclassified to profit or loss		**-**	**(18)**
Items that may be reclassified to profit or loss:			
Gain on cash flow hedges		8,984	109
Share of associates and joint ventures other comprehensive income	16	340	-
Total items that may be reclassified to profit or loss		**9,324**	**109**
Total other comprehensive income for the year		**9,324**	**91**
Total comprehensive income for the year		**40,516**	**20,256**

Note 2b provides details of the prior year restatement.

The notes on pages 106 to 229 form an integral part of these financial statements

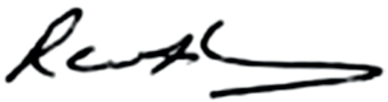
Consolidated Statement of Financial Position as at 31 March 2026

	Note	31 March 2026	(As restated) 31 March 2025	(As restated) 1 April 2024
		£ 000	£ 000	£ 000
Assets				
Non-current assets				
Property, plant and equipment	14	213,935	157,447	164,802
Right of use assets	15	1,402,209	924,293	637,849
Intangible assets	13	14,934	11,337	15,531
Investments	16	601	-	-
Trade and other receivables	18	28,637	-	-
Deferred tax assets	21	54	1,238	2,359
		1,660,370	1,094,315	820,541
Current assets				
Inventories	17	25,975	14,833	14,961
Trade and other receivables	18	703,736	387,609	388,213
Cash and cash equivalents		561,056	415,578	350,144
		1,290,767	818,020	753,318
Total assets		**2,951,137**	**1,912,335**	**1,573,859**

	Note	31 March 2026	(As restated) 31 March 2025	(As restated) 1 April 2024
		£ 000	£ 000	£ 000
Liabilities				
Current liabilities				
Trade and other payables	19	(1,103,377)	(683,358)	(683,414)
Lease liabilities	28	(700,364)	(369,315)	(316,726)
Provisions	20	(46,742)	(48,463)	(49,319)
		(1,850,483)	(1,101,136)	(1,049,459)
Net current liabilities		**(559,716)**	**(283,116)**	**(296,141)**
Non-current liabilities				
Lease liabilities	28	(728,981)	(567,968)	(318,849)
Provisions	20	(72,197)	(21,520)	(4,336)
Trade and other payables	19	(65,662)	(28,413)	(27,750)
Retirement benefit liability (net)	29	-	-	(423)
		(866,840)	(617,901)	(351,358)
Total liabilities		**(2,717,323)**	**(1,719,037)**	**(1,400,817)**
Net assets		**233,814**	**193,298**	**173,042**

	Note	31 March 2026	(As restated) 31 March 2025	(As restated) 1 April 2024
		£ 000	£ 000	£ 000
Equity				
Share capital	24	-	-	-
Capital contribution reserve	25	16,100	16,100	16,100
Cash flow hedging reserve		9,093	109	-
Retained earnings		208,621	177,089	156,942
Total shareholders' funds		**233,814**	**193,298**	**173,042**

Approved by the Board of Directors and authorised for issue on 7 July 2026 and signed on its behalf by:



Richard Harrison
Chief Financial Officer

Note 2b provides details of the prior year restatement.

The notes on pages 106 to 229 form an integral part of these financial statements

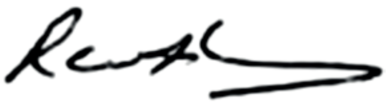
Statement of Financial Position as at 31 March 2026

	Note	31 March 2026	(As restated) 31 March 2025	(As restated) 1 April 2024
		£ 000	£ 000	£ 000
Assets				
Non-current assets				
Property, plant and equipment	14	15	34	7
Intangible assets	13	-	-	1
Investments	16	104,613	111,408	109,474
Deferred tax assets	21	2,092	540	1
		106,720	111,982	109,483
Current assets				
Trade and other receivables	18	49,462	920	491
Cash and cash equivalents		83,867	82,287	78,369
		133,329	83,207	78,860
Total assets		**240,049**	**195,189**	**188,343**

	Note	31 March 2026 £ 000	(As restated) 31 March 2025 £ 000	(As restated) 1 April 2024 £ 000
Liabilities				
Current liabilities				
Trade and other payables	19	(6,836)	(1,891)	(15,301)
Net current assets		**126,493**	**81,316**	**63,559**
Total liabilities		**(6,836)**	**(1,891)**	**(15,301)**
Net assets		**233,213**	**193,298**	**173,042**
Equity				
Share capital	24	-	-	-
Capital contribution reserve	25	16,100	16,100	16,100
Retained earnings		217,113	177,198	156,942
Total shareholders' funds		**233,213**	**193,298**	**173,042**

The above balance sheet for the Company should be read in conjunction with the accompanying notes. For the financial year ended 31 March 2026 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 £46,710k (2025: profit after tax of £18,322k).

Approved by the Board of Directors and authorised for issue on 7 July 2026 and signed on its behalf by:



Richard Harrison
Chief Financial Officer

Note 2b provides details of the prior year restatement.

The notes on pages 106 to 229 form an integral part of these financial statements

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2026

	Share capital	Capital contribution reserve	Cash flow hedging reserve	Retained earnings	Shareholders' total funds
	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 April 2025	-	16,100	109	177,089	193,298
Profit for the year	-	-	-	31,192	31,192
Other comprehensive					
income	-	-	8,984	340	9,324
Total comprehensive					
income	-	-	8,984	31,532	40,516
At 31 March 2026	**-**	**16,100**	**9,093**	**208,621**	**233,814**

	Share capital	Capital contribution reserve	Cash flow hedging reserve	Retained earnings	Shareholders' total funds
	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 April 2024	-	16,100	-	140,490	156,590
Prior period adjustment	-	-	-	16,452	16,452
At 1 April 2024 (As restated)	-	16,100	-	156,942	173,042
Profit for the year	-	-	-	20,165	20,165
Other comprehensive					
income	-	-	109	(18)	91
Total comprehensive					
income	-	-	109	20,147	20,256
At 31 March 2025 (As restated)	**-**	**16,100**	**109**	**177,089**	**193,298**

Note 2b provides details of the prior year restatement.

The notes on pages 106 to 229 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 March 2026

	Share capital	Capital contribution reserve	Retained earnings	Shareholders' total funds
	£ 000	£ 000	£ 000	£ 000
At 1 April 2025	-	16,100	177,198	193,298
Profit for the year	-	-	46,710	46,710
Other comprehensive income	-	-	(6,795)	(6,795)
Total comprehensive income	-	-	39,915	39,915
At 31 March 2026	**-**	**16,100**	**217,113**	**233,213**

	Share capital	Capital contribution reserve	Retained earnings	Shareholders' total funds
	£ 000	£ 000	£ 000	£ 000
At 1 April 2024	-	16,100	140,490	156,590
Prior period adjustment	-	-	16,452	16,452
At 1 April 2024 (As restated)	-	16,100	156,942	173,042
Profit for the year	-	-	18,322	18,322
Other comprehensive income	-	-	1,934	1,934
Total comprehensive income	-	-	20,256	20,256
At 31 March 2025 (As restated)	**-**	**16,100**	**177,198**	**193,298**

Note 2b provides details of the prior year restatement.

The notes on pages 106 to 229 form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 31 March 2026

	Note	2026 £ 000	(As restated) 2025 £ 000
Cash flows from operating activities			
Profit before taxation			
Continued operations		41,954	28,965
Discontinued operations		(189)	(770)
Profit before income tax including discontinued operations		**41,765**	**28,195**
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	637,790	460,043
Amortisation of capital grants	4	(5,406)	(21,469)
Loss on disposal of non-current assets	5	325	509
Finance (income)/costs – net	6	(9,183)	(10,848)
Interest expense (IFRS16)	6	61,747	27,798
Impairment loss/reversal	5	822	3,897
Share of profit of Associate	16	(261)	-
Working capital adjustments		**727,599**	**488,125**
(Increase)/decrease in inventories		(1,127)	128
Increase in trade receivables		(188,316)	(958)
Decrease in trade and other receivables (excluding trade receivables)		(142,110)	1,955
Increase in trade payables		54,936	12,252

	Note	2026 £ 000	(As restated) 2025 £ 000
Increase / (decrease) in trade and other payables (excluding trade payables)		358,122	(1,676)
Increase in provisions		23,049	16,328
Trade and other receivables transferred into the Group		47,151	-
Trade and other payables transferred into the Group		(94,572)	-
Cash generated from operations		**784,732**	**516,154**
Interest received		9,471	10,959
Interest paid		(288)	(111)
Income tax paid		(13,161)	(5,923)
Net cash flow from operating activities		**780,754**	**521,079**
Cash flows from investing activities			
Capital grants received		44,140	9,034
Cash received from transfers into the Group		62,482	-
Purchase of fixed assets		(94,298)	(50,905)
Proceeds from the sale of fixed assets		131	29
Net cash flows from investing activities		12,455	(41,842)
Cash flows from financing activities			
Principal element of lease payment		(585,984)	(386,005)
Interest element of lease payment	6	(61,747)	(27,798)
Net cash flows from financing activities		(647,731)	(413,803)
Net increase in cash and cash equivalents		**145,478**	**65,434**
Cash and cash equivalents at 1 April		415,578	350,144
Cash and cash equivalents at 31 March		**561,056**	**415,578**

Note 2b provides details of the prior year restatement.

The notes on pages 106 to 229 form an integral part of these financial statements.

Statement of Cash Flows for the Year Ended 31 March 2026

	Note	2026 £ 000	2025 £ 000
Cash flows from operating activities			
Profit before income tax		**44,621**	**17,827**
Adjustments to cash flows from non-cash items			
Depreciation and amortisation		14	11
Dividends		(52,975)	(20,000)
Finance (income)/costs – net		(765)	(105)
Working capital adjustments:			
Decrease in trade receivables	18	-	43
Decrease in other receivables (excluding trade receivables)		(951)	(472)
Increase in trade payables	19	441	31
Increase / (decrease) in payables (excluding trade payables)		1,954	(13,429)
Cash generated from operations		**(7,661)**	**(16,094)**
Interest received		269	105
Interest paid		(3)	-
Income tax paid		-	(56)
Net cash flow from operating activities		**(7,395)**	**(16,045)**
Cash flows from investing activities			
Purchase of fixed assets		-	(37)
Dividend	10	52,975	20,000
Grants received		2,000	-
Working capital subsidiary funding outflow		(76,000)	-

	Note	2026	2025
		£ 000	£ 000
Working capital subsidiary funding inflow		30,000	-
Net cash flows from investing activities		8,975	19,963
Net increase in cash and cash equivalents		**1,580**	**3,918**
Cash and cash equivalents at 1 April		82,287	78,369
Cash and cash equivalents at 31 March		**83,867**	**82,287**

The notes on pages 106 to 229 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 March 2026

1. General information

The company is a private company limited by share capital, incorporated and domiciled in United Kingdom. It is classified as a Public Corporation for the purposes of central government classification.

The address of its registered office is:

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

2. Material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below, and, unless otherwise stated, these policies have been consistently applied to all the periods presented.

a. Basis of preparation

The consolidated financial statements and the Company financial statements have been 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.

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.

The financial statements are principally prepared on the historical cost basis. Areas where other bases have applied are identified in the accounting policies below.

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.

Standards issued but not yet effective

There have been amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' effective for accounting periods beginning on or after 1 January 2025. The Group has assessed the impact amendments to accounting standards will have on the financial statements for the year ending 31 March 2026 and there is no expected material impact.

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 ‘Presentation of Financial Statements’, the new standard is effective from 1 January 2027 and will be adopted by the Group in the financial statements for the year ended 31 March 2028. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to users, including:

- two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes
- the classification of all income and expenses within the statement of profit or loss in one of five categories
- a new requirement to disclose performance measures defined by management, and
- an improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes.

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed ‘Basis of Preparation of Financial Statements’. The publication of IFRS 18 also results in consequential amendments to other IFRS Accounting Standards, including IAS 7 ‘Statement of Cash Flows’.

IFRS 18 will be applied retrospectively with specific transitional provisions. The Group will work to identify all of the impacts that IFRS 18 will have on the primary financial statements and notes to the financial statements.

Other new Standards, Amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

b. Prior period restatement

Restatement of Leases accounted for under IFRS 16

The Group financial statements for the year ended 31 March 2025 and opening Statement of Financial Position for that year have both been restated as a result of a change to the discount rate being applied in the calculation of the IFRS 16 lease liability and right of use asset for the lease of the Azuma fleet held by LNER.

In previous years management determined that a discount rate implicit in the lease could be readily determined. On review in the current year it has been identified that this discount rate was not deemed to be the most appropriate rate and the incremental borrowing rate for the company should have been used. The discount rate implicit in the lease was based on the full lease term, whereas, as noted in the significant judgements and estimates at note 2y(i), the lease is being accounted for over the shorter service agreement period.

To be consistent with the discount rate used for all other leases within the Group, it has been determined that the discount rate published by HM Treasury Public Expenditure System is the appropriate rate to use and has now been applied when calculating the IFRS 16 asset and liability from the inception of the lease. This rate is considered to be appropriate given the ownership structure of the Group and the loan agreement in place with the DfT. This resulted in a lower discount rate being applied with a resulting material impact on the IFRS 16 asset and liability.

The IFRS 16 asset and liability has been recalculated at each remeasurement point, applying the appropriate discount rate, as per the Treasury Public Expenditure System at the relevant point in time.

The financial impact of this on the financial statements for the year ended 31 March 2025 and on the Statement of Financial Position as at 1 April 2024 is as follows:

Financial Statement Area	Impact
Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year ended 31 March 2025	An increase in IFRS 16 depreciation for rolling stock of £19,556k and an increase in other operating costs of £139k, resulting in an overall decrease in operating profit of £19,695k. A decrease in Interest payable for IFRS 16 liabilities of £21,675k. An increase in the Income tax expense for the year of £495k. The net impact of the above is an increase in the profit for the year from continuing operations of £1,485k.
Consolidated Statement of Financial Position as at 31 March 2025	An increase in the right of use asset for rolling stock of £59,257k. An increase in current lease liabilities of £19,807k. An increase in non-current lease liabilities of £17,306k. An increase in the current tax liability of £4,207k. An increase to net assets of £17,937k, this includes a £16,452k increase to brought forward reserves.
Company statement of financial position as at 31 March 2025	As the value of the investment which is held by the company in each subsidiary is determined by the net assets of that subsidiary, there was an increase in the value of the investment which the company holds in LNER of £17,937k. There was a corresponding increase in the net assets of the company. This includes an increase in the brought forward investment and retained earnings as at 31 March 2024 of £16,452k.

Financial Statement Area	Impact
Company Statement of Changes in Equity for the year ended 31 March 2025	The movement in the fair value of the investments is included in the Company Statement of Other Comprehensive Income, as presented in the Company Statement of Changes in Equity, this increased by £1,485k.
Consolidated statement of cash flows for the year ended 31 March 2025	An increase in the profit before taxation for continued operations of £1,980k. An increase to Depreciation and amortisation included in cash generated from operations of £19,556k. A decrease in Interest expense (IFRS 16) included in cash generated from operations of £21,675k. Other movement in cash generated from operations of £139k. A reclassification between the principal element of lease payment and interest element of lease payment of £21,675k.
Consolidated statement of Financial position as at 1 April 2024	An increase in the right of use asset for rolling stock of £63,259k. An increase in current lease liabilities of £5,982k. An increase in non-current lease liabilities of £37,113k. An increase in the current tax liability of £3,712k. An increase to net assets of £16,452k.
Company statement of financial position as at 1 April 2024	An increase in the value of investment which the company holds in LNER of £16,452k with a corresponding increase in retained earnings.

Restatement of RSP receivable and RSP payable

The Group financial statements for the year ended 31 March 2025 and opening Statement of Financial Position for that year have both been restated in order to appropriately disclose amounts due from Rail Settlement Plan (RSP) from trade payables to net off with the RSP trade receivable

In previous years amounts due to the RSP were included in trade payables, with amounts due from RSP presented in trade receivables. The amounts included in trade payables included both interim payments received in advance from the RSP to settle the net receivable position and amounts owed to other TOCs settled through RSP. Upon review in the current year it has been identified that the interim payments received from RSP were made to settle the overall receivable position and therefore should have been presented net of the receivable rather than included in trade payables. In addition, it was identified that the requirements to present the payable and receivable balances net in accordance with IAS 32.42 are met as they are settled on a net basis and there is a legally enforceable right to do so. On this basis, both the interim receipts and the amounts owed to other TOCs previously presented in trade payables have been netted off with the RSP trade receivable.

The financial impact of this on the financial statements for the year ended 31 March 2025 and on the Statement of Financial Position as at 1 April 2024 is as follows:

Financial Statement Area	Impact
Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year ended 31 March 2025	No impact.
Consolidated Statement of Financial Position as at 31 March 2025	A decrease in Trade receivables – Rail Settlement Plan of £52,122k. A decrease in Trade payables of £52,122k.
Company statement of financial position as at 1 April 2024	No impact.
Consolidated statement of cash flows for the year ended 31 March 2025	An increase in the movement in trade and other receivables within cash generated from operations of £18,452k. A decrease in the movement in trade and other payables of £18,452k.
Consolidated statement of Financial position as at 1 April 2024	A decrease in Trade receivables – Rail Settlement Plan of £33,670k. A decrease in Trade payables of £33,670k
Company statement of financial position as at 1 April 2024	No impact.

c. Going concern

The basis for preparation for these financial statements has been on a going concern basis. The Directors consider this to be appropriate as the Group is the Government's public sector rail owning group. The Government has continually underlined the important role of the rail industry and that it is central to the Government's economic strategy.

The Group is a public corporation of the Department for Transport and 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 Agreement, TOCs either make a premium payment to, or receive a subsidy from the Department for Transport. Under the terms of the Service Agreement the TOC is entitled to earn a pre-defined margin, excluding disallowed expenses, and the service agreement subsidy or premium is calculated so as to deliver this margin. There is no clawback mechanism for payments received, or linkage between calculations from one annual period to the next. The TOCs anticipate that Service Agreement subsidy payments from the Secretary of State for Transport will continue to be received due to the financial strength of the UK government. At the time of this assessment an AA rating was awarded to the United Kingdom by most credit rating agencies. All the TOCs have a Service Agreement with a duration of at least 12 months from the signing of these financial statements.

In addition to this guaranteed 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 the termination of all of 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.

The Directors' going concern assessment is for a period of 12 months from the approval of these financial statements to July 2027. 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.

The Railways Bill, currently under review by the House of Lords, will create Great British Railways, which could impact the operations of the Group in the future. As at the date of approval of the financial statements it is not considered that the Railways Bill will impact the ability of the Group to continue as a going concern within the going concern assessment period.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

For this reason and on the basis of the above, the Directors consider it appropriate for the Group to adopt the going concern basis in preparing the Company's and the Group's annual report and financial statements.

d. Principles of consolidation

At the end of financial year 2026, in addition to the eight train operators and Train Fleet (2019) Limited (TF19), DfT Operator Limited (DFTO) maintains its six dormant entities, wholly owned by DfT Operator Limited (parent) listed in note 16 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.

e. Revenue

i) Passenger Rail Services

Passenger revenue represents amounts earned by the Group for rail travel sold under the conditions of the National Rail Conditions of Travel. The ticket sold forms a binding contract between passengers and the Train Operating Company (TOC) or TOCs who are responsible for providing the travel service. The fare for each ticket is set by a TOC and settled via the Rail Settlement Plan (RSP), which attributes the price of a ticket purchased to the relevant TOCs based on the Operational Research

Computerised Allocation of Tickets to Services (ORCATS) allocation methodology. This allocation of revenue to TOCs is based principally on agreed models of route usage.

Deferred revenue is generated when passengers purchase tickets for travel in future financial periods, be this for revenue which is recognised at point in time or over time. This represents a contract liability under IFRS 15.

Delay Repay customer compensation, which is compensation paid to customers who have experienced a delay of more than 15 minutes on their journey, is treated as a reduction in passenger revenue in line with IFRS 15 Revenue from Contracts with Customers.

There are five types of ticket: daily tickets; open tickets; season tickets; railcards; and combined tickets and travel passes. The sections below set out the revenue recognition for each ticket type.

Daily Tickets:

It is assessed that there is one performance obligation for the provision of transport on the specified day and for the specified route set out on the ticket. The transaction value received for each ticket is the TOC’s share of the ticket price from the RSP, and this is recognised as revenue on the day of travel specified on the ticket.

Open Tickets:

It is assessed that there are two performance obligations, one for the provision of transport on the specified day and the specified route set out on the ticket and a second for the return journey provided at a future date. The transaction value received for each ticket is the TOC's share of the ticket price from the RSP, revenue for the outbound journey is recognised on the date of travel with revenue for the return journey deferred until the expected date of travel.

Season Tickets and Flexi Season Tickets:

It is assessed that there is one performance obligation for the provision of transport for the specified time period and for the specified route set out on the ticket. Although the customer can use the service multiple times (over the course of the season ticket or flexi season ticket), this does not constitute multiple performance obligations as this is a series of distinct services that are substantially the same and have the same benefit to the customer. As such this is one performance obligation. Tickets are valid for the duration of the term purchased by the customer. This includes weekly, monthly and annual. The transaction price of each season ticket is recognised at the TOC's share of the value from the RSP and as the TOC provides the rail travel services due to the customer under the season ticket over time and therefore satisfies the performance obligation over time, revenue is recognised over the validity period of the season ticket on a straight-line basis.

Rail Cards:

It is assessed that there is one performance obligation to provide the right to access discounted rail travel over the validity period set out on the railcard. Revenue is recognised over the validity period of the railcard on a straight-line basis.

Combined Tickets and Travel Passes:

It is assessed that there is one performance obligation for the provision of transport across the specified period and routes on rail services. Although the customer may be able to use the service multiple times (over the course of the validity of the pass), this does not constitute multiple performance obligations as this is a series of distinct services that are substantially the same and have the same benefit to the customer. As such this is one performance obligation. The transaction price of each ticket or pass is the TOC's share from the RSP and the TOC provides the travel service to the holder of the ticket or pass over time and therefore satisfies the performance obligation over time. For tickets offering unlimited travel within a specified time period, revenue is recognised over the validity period of the ticket or pass on a straight-line basis.

ii) Other revenue

Other revenue is generated in the course of the Group's ordinary activities, being the provision of rail services, but is not passenger revenue. For each of the other revenue streams, the requirements of IFRS 15 Revenue from Contracts with Customers is applied and adopted by the Group. Below is a summary of the material other revenue streams of the Group.

Railway Station Access:

The Group provides access to train stations it operates to other TOCs, under a station access agreement. The Group has assessed that there is one performance obligation under each agreement and that the Group fulfils the obligation of the services provided to the customer over a period of time. As such, income, based on the transaction price set out in the contract, is recognised on a straight-line basis over the term of the contract.

Train Maintenance:

The Group provides train maintenance services to other TOCs, under service contracts. The contract includes a fixed-fee element for certain routine services to be provided. This will include a number of maintenance services which are assessed together as a single performance obligation and are provided continuously over the contract period. Revenue for these services is recognised over time as the services are provided to the counterparty on a straight line basis. The Group will also provide additional maintenance services, the price for which will be defined under the maintenance service agreement or will be separately agreed. Provision of these services represent distinct performance obligations with revenue recognised over time as the maintenance services are provided to the counterparty according to the level of work which has been performed.

Car Park Income:

The Group provides car parking services to customers at stations. A contract exists between the Group at the point at which the parking service is provided. The Group has assessed that there is one performance obligation and that the Group transfers control of the services provided to the customer on a particular day, for daily tickets, or over a period of time for season tickets. The transaction price is specified on the ticket. For daily tickets, income is recognised on the day of parking specified on the ticket. For season tickets, as the Group provides the parking service over time and therefore satisfies the performance obligation over time, income is recognised over the validity period of the season ticket on a straight-line basis.

Commission:

The Group generates commission income, through the sale of rail tickets to third parties, on behalf of various other TOCs in the UK, with the Group acting as an agent. The Group has assessed that there is one performance obligation and that the Group fulfils the obligation for the services once the transaction with the customer is completed meaning that revenue is recognised at the point of sale.

Commercial Property Revenue:

Rental income is received from station properties under operating leases with commercial tenants, income is recognised on a straight line basis over the period of the lease in accordance with IFRS 15.

f. Service agreement premium/subsidy

Under the Service Agreements, the train operators either make a premium payment to, or receives a subsidy from, the Department for Transport. Under the terms of the Service Agreement the train operators 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.

The premium or subsidy 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.

In annual periods where a net subsidy payment is received from the Department for Transport this is considered to be a government grant under IAS 20 and is therefore accounted for as such. This government grant is presented within revenue as it covers the shortfall of operating revenue against operating costs, in line with the Service Agreement.

In annual periods where a net premium payment is made to the Department for Transport this is presented within operating costs and is disclosed as a separate line within the operating costs disclosure to assist with understanding of the impact of these amounts on the financial performance of the entity.

g. Performance incentive payments/ reimbursements

The Group pays track access charges to Network Rail, who in return provide access to rail tracks and undertake maintenance on these tracks to ensure that they are in a suitable condition for operation of rail services. Track access charges include elements of fixed, variable, and other charges as shown in the other operating costs note. Further adjustments, known as performance incentive payments, are made to this charge depending on availability of the line, which can either be additional charges payable to Network Rail or reimbursement from Network Rail depending on the cause of the access issue.

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 other operating costs note.

In the Statement of Financial Position, receivables and payables arising from each individual claim related to performance incentives are presented as other trade 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.

h. Other operating income

Other operating income relates to revenue earned which does not relate to the primary activity of the business of the provision of passenger services. Revenue from the sub-leasing of trains is recognised in accordance with IFRS 16, please see accounting policy n. Route upgrade/ development income represents subsidy in respect of the TransPennine Route Upgrade and Northumberland Line and are recognised within other operating income as government grants under IAS 20.

i. 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 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.

j. Deferred tax

Deferred tax, subject to the recoverability of deferred tax assets, 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.

k. 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 12.

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 2026 and 2025. Discontinued operations are presented in the consolidated income statement.

I. Intangible assets

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

Amortisation is charged on a straight-line basis and is recorded in operating costs in the Income Statement:

Asset class	Amortisation method and rate
IT Software	3 - 5 years
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.

m. Property, plant and equipment

Tangible assets are stated at historic cost less accumulated depreciation 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.

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:

Asset class	Depreciation method and rate
Leasehold improvements and property	3 - 10 years or lease term
Plant and equipment (excluding service agreement residual value (RV) Assets)	3 - 25 years or lease term

Asset class	Depreciation method and rate
Plant and equipment: - service agreement (SA) RV assets	Useful Economic Life (UEL) per SA term
Train station and depot infrastructure	25 - 40 years

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.

n. Right of use assets and lease liabilities

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 Company will use the incremental borrowing rate, see the critical judgements and estimate section for further details;
- the lease payments made before or after commencement, less the lease incentives received;
- an estimate of the costs incurred upon disassembling and eliminating the underlying asset, including restoring the underlying asset to the condition required by the terms of the lease

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

Corresponding lease liabilities are presented and accounted for as current and non-current liabilities in note 28. 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 Company is reasonably certain to exercise that option.

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 2(y) for further details. Where the 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.

Variable and fixed track access payments are deemed outside the scope of IFRS 16. Access to the track is not exclusive and the Company 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 Income Statement as incurred in operating costs.

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

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.

o. 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.

p. Investments in Associates

Investments in associates accounted for using the equity method. The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group. Where the Group's share of losses of an associate equals or exceeds its equity accounted interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the other entity.

q. Investments

Unlisted 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 other comprehensive income in the Company's financial statements.

r. 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 to depreciation. Deferred capital grant income is presented and accounted for within current and non-current liabilities in note 19.

s. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

t. Employee benefits

i) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

u. Retirement benefits

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. Each TOC 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 TOCs 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 2025 triennial valuation is currently taking place and has not been completed as at the date of signing these financial statements. During the prior year the 2022 triennial valuation of the Rail Pension Scheme was signed off. The subsidiaries of the Group actively participated in work alongside the Rail Delivery Group, the Trustees of the scheme, the Rail Unions, the Pension Regulator and the Department for Transport on agreeing the 2022 valuation. The accounting position used in these accounts is based on the 2022 valuation.

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, along with the interest cost, are recognised in staff pension costs within operating costs in the income statement less the Franchise adjustment to service cost.

- The employers share of net interest cost, less an equal and opposite service period adjustment is recognised in interest costs.
- Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to the statement of other comprehensive income in the period in which they arise.

Asset values disclosed reflect the Group's exposure to underlying asset classes through holdings of units of pooled funds in which the underlying assets are held. Underlying assets are managed by the pension administrator, RPS, and the control over economic benefits is established through the unitisation of those funds.

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

v. Related parties

In accordance with IAS 24.25 the Group does not include the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances with other Government related entities. Where transactions with other Government related entities are material the name of the related party and the nature and amount of transaction during the year are disclosed in accordance with IAS 24.26. Related parties with other entities are fully disclosed in accordance with IAS 24.

w. Provisions and contingent liabilities

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 value of the expenditures expected to be required to settle the obligation. Where the time value of money is material the amount of the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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. The provision is recognised as an addition to the right of use asset on initial recognition, any increase or decrease of the provision will result in an adjustment to the right of use asset.

A contingent liability is disclosed when it is considered that there is a possible obligation that arises from past events but either an outflow of economic benefits is not probable or cannot be measured reliably.

x. 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. Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

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 23.

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 reserve 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.

y. 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.

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 on Retirement Benefits (Note 2(u)).
- 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.

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 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 judgements the Directors are required to make on matters that cannot be directly observed from market prices such as life expectancies, future pay increases, harder to value assets and the criteria for bonds to be included in the population from which the discount rate is determined. Note 29 provides information on the sensitivity of pension benefit obligations to changes in assumptions however there is no impact to assets or liabilities.

iii) Pensions – judgement

In addition to the critical estimate described above, there is also considered to be critical judgement in relation to the interpretation of IAS 19 p92-94. The interpretation applied reduces any section deficit/asset balance and reduces any service costs that would give rise to an increase in such deficit/asset 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/asset transferring at the end of the franchise.

iv) Accounting for subsidiaries investment judgement – company only

In the Company's separate financial statements, investments in subsidiaries are accounted for in accordance with IAS 27 and measured in accordance with IFRS 9. Investments in subsidiaries are measured at fair value at each reporting date and movements are recognised in other comprehensive income. Fair value is measured in accordance with IFRS 13 as an exit price in an orderly transaction between market participants at the measurement date.

In applying IFRS 13, the Directors judge that the relevant market participants for any transfer of the Company's interests in its subsidiaries would be other government-owned entities, and that the valuation should therefore reflect the price that would be achieved in such a transfer mechanism. Where observable market prices are not available, the Directors estimate fair value using a net asset valuation (NAV) technique, with the subsidiary's net assets at the reporting date used as the significant unobservable input. No uplift is made for assets carried at nil net book value (including certain DfT-funded fixed assets transferred for nil consideration) where, under the relevant funding and transfer arrangements, no incremental consideration would be received by the Company in an exit transaction.

v) Asset acquisition

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

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

The transfer of assets and liabilities from the predecessor operator to the Group is accounted for as the acquisition of a group of assets that does not constitute a business. Accordingly, in line with IFRS 3 paragraph 2(b), the identifiable assets acquired and liabilities assumed are recognised separately on transfer. In applying that guidance, the Group has adopted the approach discussed by the IFRS Interpretations Committee for acquisitions of a group of assets in which some items are initially measured at an amount other than cost under their applicable standards. Under this approach, identifiable assets and liabilities that are required to be measured at an amount other than cost are initially measured in accordance with the relevant IFRS Standard. On transfer, management applied this approach by measuring assets and liabilities required to be measured under other applicable IFRS Standards before considering the allocation of any residual transaction price to the remaining asset classes. Having regard to the transfer mechanism, the restrictions attaching to assets which were fully funded by the DfT to the predecessor operator and the amounts involved, management concluded that no material transaction price was attributable to fixed assets or assets under construction funded by the DfT to the predecessor operator. These assets have therefore been recognised at nil cost on initial recognition

vi) 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 2(g), 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 18).
- Measurement of lease liabilities – discount rate – where the discount rate implicit in the lease can not be determined the directors have assessed that the discount rates published by HM Treasury Public Expenditure System was a reasonable discount rate to reflect the Group's incremental rate of borrowing for leases. 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.

3. 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 and other related other revenue as disclosed in the income statement, on this basis we do not disclose operating segments. The year ended 31 March 2026 and 31 March 2025 includes thirteen four-weekly rail periods for LNER, NRL, SETL and TPE. The following entities commenced trading during the current year:

- SWR – traded for eleven four-weekly rail periods
- c2c – traded for nine four-weekly rail periods
- GA – traded for six four-weekly rail periods
- WMT – traded for two four-weekly rail periods

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

	2026 £ 000	Re-presented 2025 £ 000
Passenger revenue	4,018,379	2,373,020
Delay Repay	(43,493)	(36,380)
Passenger revenue	**3,974,886**	**2,336,640**
DfT service agreement subsidy	1,470,513	1,341,068
Commercial property revenue	30,536	12,438
Commission received	29,148	15,396
Car park revenue	68,991	14,518
Train maintenance revenue	42,496	44,177
Station access revenue	37,300	33,482
Other operating revenue	56,203	47,341
Other revenue	**1,735,187**	**1,508,420**
Total revenue	**5,710,073**	**3,845,060**

Other revenue has been re-presented during the year in order to provide further information as to the nature of this revenue, in the prior year Station access revenue, Car park revenue, Train maintenance revenue, Commission received, Commercial property revenue and Other operating revenue were all disclosed as Other revenue.

The service agreement subsidy from the Department of Transport (DfT) to the train operators is LNER £68,173k (2025:

£88,845k), NTL £695,034k (2025: £672,455k), SET £367,874k (2025: £414,520k), TPT £145,793k (2025: £165,248k), SWR

£119,774k (2025: £nil), c2c £29,643k (2025: £nil), and WMT £44,222k (2025: £nil). As discussed in the DfT service agreement subsidy accounting policy, this is not IFRS 15 revenue.

4. Other operating income

The analysis of the group's other operating income for the year is as follows:

	2026	2025
	£ 000	£ 000
Sub lease rental income	1,259	2,517
Other operating income	6,442	-
Amortisation of capital grant income	5,406	21,469
Route upgrade/development income	49,825	42,422
	62,932	66,408

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 for Transport for costs incurred in supporting the Transpennine Route Upgrade project. National Rail Infrastructure Limited act as the passthrough funder for this arrangement.

5. Other operating costs

Arrived at after charging/(crediting):

	Note	2026 £ 000	(As restated) Re-presented 2025 £ 000
Employee benefits expense	7	1,662,013	1,041,355
DfT service agreement premium		50,892	-
Depreciation expense on property, plant and equipment	14	35,293	52,497
Depreciation on right of use assets	15	597,199	400,891
Amortisation expense	13	5,298	6,655
Inventories recognised as expenses		129,447	108,059
Fixed track access		431,132	299,125
Fixed depot and station access charges		331,295	238,436
Variable access charges		350,004	299,451
Other fixed access charges		88,797	15,265
Performance incentive reimbursements		(189,332)	(111,258)
Rolling stock costs		778,890	611,253
Traction electricity and diesel charge		355,860	240,419
Security including British Transport Police charges		81,579	56,133
Impairment loss		822	3,897
Loss on disposal of property, plant and equipment		325	446
Loss on disposal of intangible assets		-	63

	Note	2026	(As restated) Re-presented 2025
		£ 000	£ 000
Lease items excluded from IFRS 16	28	3,417	1,529
Onerous lease provision charge		1,862	12,228
Agency staff, training and other staff costs		92,407	44,031
Maintenance – stations, depots and other		172,899	93,920
Industry subscriptions, legal, professional and contractor costs		107,307	63,006
Catering costs		27,989	22,965
Property rent, rates and utilities		46,099	28,362
Rail replacement		62,928	41,868
Sales & marketing		113,874	68,731
Telecomms & IT		126,052	88,506
Ticketing costs		22,190	10,767
Commission payable		139,256	91,752
Other operating costs		50,315	33,966
Auditors remuneration	9	2,639	1,222
		5,678,748	**3,865,540**

The presentation of operating costs in the current year has been updated in order to provide further information as to the nature of the costs incurred. A number of costs which were previously disclosed as other operating costs have been disaggregated. Fixed track access, Fixed depot and station access charges, Variable access charges, Other fixed access charges, Rolling stock costs and Traction electricity and diesel charge have also been re-presented in order to provide more accurate information as to the nature of costs incurred.

Depreciation on right of use assets and other operating costs have been restated for 2025, note 2b provides details of the prior year restatement.

6. Finance income and costs

	2026	(As restated) 2025
	£ 000	£ 000
Finance income		
Bank interest	9,359	10,753
Pension interest income	-	20
Other finance income	112	173
Total finance income	**9,471**	**10,946**
Finance costs		
Other interest payable	(288)	(111)
Interest payable for IFRS 16 lease liabilities	(61,747)	(27,798)
Total finance costs	**(62,035)**	**(27,909)**
Net finance costs	**(52,564)**	**(16,963)**

Interest payables on IFRS 16 lease liabilities has been restated for 2025, note 2b provides details of the prior year restatement.

7. Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2026	2025
	£ 000	£ 000
Wages and salaries	1,403,833	899,611
Social security costs	172,724	92,206
Pension costs	85,456	49,538
	1,662,013	1,041,355

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2026 No.	(As restated) 2025 No.
Managerial and administrative	4,437	2,838
Operational	21,478	14,611
	25,915	17,449

The disclosure of the average number of persons employed during the year ended 31 March 2026 includes the period prior to the commencement of trade for those companies who commenced trading during the year. The average number of persons employed by the Group, taking into account only the period for which each company traded during the year is 5,625 for Managerial and administrative and 25,817 for Operational, with a total average of 31,442.

The method for calculating the average number of persons employed was updated during the current year to use actual number of employees instead of ‘full time equivalent’ number of employees, in addition the prior year split of employee numbers between Managerial and administrative and Operational has been refined to provide more clarity. As a result, the number of persons employed for the prior year have been restated from 3,640 to 2,838 for Managerial and administrative and from 13,336 to 14,611 for Operational.

8. Directors' remuneration

The directors' remuneration for the year was as follows:

	2026	2025
	£ 000	£ 000
Emoluments in respect of qualifying services to the Company	893	729
Company pension contributions	37	-
	930	729

In respect of the highest paid director:

	2026	2025
	£ 000	£ 000
Remuneration	318	244

9. Auditors' remuneration

	2026	2025
	£ 000	£ 000
Audit services		
Audit of the Company and consolidated financial statements	179	174
Audit of subsidiary undertakings by the Company's auditor	2,249	1,002
Audit of subsidiary undertakings by other auditors	113	-
	2,541	1,176
Audit-related services		
Other compliance reporting for the Company by the Company's auditor	-	10
Other compliance reporting for subsidiary undertakings by the Company's auditor	77	36
Other compliance reporting for subsidiary undertakings by other auditors	21	-
	98	46

10. Dividends

An intercompany dividend of £52,975k was received by DFTO during the financial year 2025-2026 for financial year 2024-2025 and financial year 2025-2026 (2025: £20,000k relating to year 2023-2024). This has been eliminated in the group consolidation.

The Group has not paid or declared a dividend during the year.

11. Income tax

Tax charged/(credited) in the income statement

	2026	(As restated) 2025
	£ 000	£ 000
Current taxation		
UK corporation tax	9,392	6,300
Group relief receivable	-	(3)
UK corporation tax adjustment to prior periods	(6)	503
	9,386	**6,800**
Deferred taxation		
Arising from origination and reversal of temporary differences	1,527	2,240
Adjustments in respect of prior periods	(343)	(1,037)
Total deferred taxation	**1,184**	**1,203**
Tax expense in the income statement	**10,570**	**8,003**
Tax relating to items charged or credited outside of the income statement		

	2026	2025
	£ 000	£ 000
Other comprehensive income/ (expense) items:		
Current tax current year charge	-	104
Deferred tax current year credit	-	(106)
Tax credit reported outside of the income statement	**-**	**(2)**

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2025 – higher than the standard rate of corporation tax in the UK) of 25% (2025 - 25%).

The differences are reconciled below:

	2026	(As restated) 2025
	£ 000	**£ 000**
Profit before tax	41,954	28,965
Corporation tax at standard rate	10,489	7,241
Fixed asset timing differences	3,404	6,247
Income not taxable for tax purposes	(3,048)	(5,174)
Expenses not deductible	493	226
Decrease in current tax from unrecognised tax loss or credit	(453)	-
Adjustment in respect of prior period – current tax	(329)	503
Adjustment in respect of prior period – deferred tax	992	(1,037)
Amounts relating to other comprehensive income or otherwise transferred	-	26
Current tax relating to other comprehensive income	-	(104)
Deferred tax relating to other comprehensive income	-	75
Temporary differences not recognised in the computation	(978)	-
Total tax charge	**10,570**	**8,003**

Profit before tax and the current taxation charge have been restated for 2025, note 2b provides details of the prior year restatement.

Pillar Two legislation

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

Tax recognised in the income statement – Discontinued operations

	2026	2025
	£ 000	£ 000
Current taxation:		
Current tax charge/(credit) on loss for the year	3	3
Deferred tax – current year	-	24
Total tax charge reported in the income statement	**3**	**27**

12. Discontinued operations

The sale of TF19's entire fleet on 1 July 2021 resulted in its profit after tax being presented as a discontinued operation for financial year 2026 and 2025.

	2026	2025
	£ 000	£ 000
Other income	-	-
Total Income	**-**	**-**
Other operating costs*	(189)	(783)
Finance income	-	13
Loss before taxation	**(189)**	**(770)**
Tax on loss	(3)	(27)
Net loss attributable to discontinued operations	**(192)**	**(797)**

*Auditors' remuneration – audit fees included in Other operating costs were £nil (2025: £10k).

The discontinued operations results contributed the following to the group cash flow:

	2026	2025
	£ 000	£ 000
Net cash outflows from operating activities	(199)	(161)
Net cash inflows from financing activities	-	13
Net cash outflow from activities: Discontinued operations	**(199)**	**(148)**

13. Intangible assets

Group	Software costs	Mobilisation costs	Work in progress	Total
	£ 000	£ 000	£ 000	£ 000
Cost or valuation				
At 1 April 2024	43,321	966	4,707	48,994
Additions	290	-	3,616	3,906
Transfers	3,535	-	(3,535)	-
Disposals	(5,312)	-	-	(5,312)
At 31 March 2025	41,834	966	4,788	47,588
At 1 April 2025	41,834	966	4,788	47,588
Additions	536	-	8,359	8,895
Transfers	5,237	-	(5,237)	-
Disposals	(3,465)	-	(1,382)	(4,847)
At 31 March 2026	44,142	966	6,528	51,636
Amortisation				
At 1 April 2024	32,578	885	-	33,463
Charge for year	6,574	81	-	6,655
Eliminated on disposal	(5,249)	-	-	(5,249)
Impairment	-	-	1,382	1,382
At 31 March 2025	33,903	966	1,382	36,251
At 1 April 2025	33,903	966	1,382	36,251
Charge for year	5,298	-	-	5,298
Eliminated on disposal	(3,465)	-	(1,382)	(4,847)
At 31 March 2026	35,736	966	-	36,702
Carrying amount				
At 31 March 2026	**8,406**	**-**	**6,528**	**14,934**
At 31 March 2025	**7,931**	**-**	**3,406**	**11,337**

During the prior year annual impairment review, projects were identified as no longer continuing. Therefore, impairment charges of £1,382k were recognised in the prior year.

Amortisation of intangible assets is included within other operating costs in the Income Statement. The Company had intangible assets with £nil net book value at 31 March 2026 (2025: £nil).

14. Property, plant and equipment

Group	Leasehold improvements	Plant and equipment	Work in progress	Total
	£ 000	£ 000	£ 000	£ 000
Cost or valuation				
At 1 April 2024	21,543	260,835	33,615	315,993
Additions	4,259	4,347	39,526	48,132
Transfer from WIP	-	33,001	(33,001)	-
Disposals	(277)	(1,505)	-	(1,782)
At 31 March 2025	25,525	296,678	40,140	362,343
At 1 April 2025	25,525	296,678	40,140	362,343
Additions	6,826	5,744	80,489	93,059
Transfer from WIP	13,363	41,375	(54,738)	-
Disposals	(272)	(2,725)	(3,408)	(6,405)
At 31 March 2026	45,442	341,072	62,483	448,997
Depreciation				
At 1 April 2024	7,464	143,727	-	151,191
Charge for year	2,739	49,758	-	52,497
Eliminated on disposal	(187)	(1,120)	-	(1,307)
Impairment	-	-	2,515	2,515
At 31 March 2025	10,016	192,365	2,515	204,896
At 1 April 2025	10,016	192,365	2,515	204,896
Charge for the year	4,543	30,750	-	35,293
Eliminated on disposal	(230)	(2,382)	(3,337)	(5,949)
Impairment	-	-	822	822
At 31 March 2026	14,329	220,733	-	235,062
Carrying amount				
At 31 March 2026	**31,113**	**120,339**	**62,483**	**213,935**
At 31 March 2025	**15,509**	**104,313**	**37,625**	**157,447**

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

During the prior year annual impairment review, projects were identified as no longer continuing. Therefore, impairment charges of £2,515k have been recognised in the prior year.

The Company's reported additional plant and equipment costs of £nil (2025: £37k) in the year, and disposals of £5k (2025: £nil) bringing total costs at 31 March 2026 of £56k (2025: £61k) and accumulated depreciation of £41k (2025: £27k) a net book value of £15k (2025: £34k).

15. Right of use assets

Group	Rolling stock	Land and buildings	Plant and equipment	Total
	£ 000	£ 000	£ 000	£ 000
Cost or valuation				
At 1 April 2024	1,855,060	30,645	3,027	1,888,732
Prior year adjustment	160,579	-	-	160,579
At 1 April 2024 (restated)	2,015,639	30,645	3,027	2,049,311
Remeasurements	489,033	7,718	1,422	498,173
Modifications	188,279	-	-	188,279
Additions	127	1,068	-	1,195
Disposals	(55,989)	-	-	(55,989)
At 31 March 2025 (restated)	**2,637,089**	**39,431**	**4,449**	**2,680,969**
At 1 April 2025	2,637,089	39,431	4,449	2,680,969
Remeasurements	209,995	2,145	26	212,166
Additions	849,299	10,364	3,606	863,269
Disposals	(4,226)	(13,874)	(1,721)	(19,821)
At 31 March 2026	**3,692,157**	**38,066**	**6,360**	**3,736,583**
Depreciation				
At 1 April 2024	1,289,209	22,558	2,375	1,314,142
Prior year adjustment	97,320	-	-	97,320
At 1 April 2024 (restated)	1,386,529	22,558	2,375	1,411,462
Charge for year	393,317	6,736	838	400,891
Eliminated on disposal	(55,677)	-	-	(55,677)
At 31 March 2025 (restated)	**1,724,169**	**29,294**	**3,213**	**1,756,676**
At 1 April 2025	1,724,169	29,294	3,213	1,756,676
Charge for the year	588,419	7,293	1,487	597,199
Eliminated on disposal	(3,911)	(13,874)	(1,721)	(19,506)
Remeasurements	(2)	7	-	5
At 31 March 2026	**2,308,675**	**22,720**	**2,979**	**2,334,374**
Carrying amount				
At 31 March 2026	**1,383,482**	**15,346**	**3,381**	**1,402,209**
At 31 March 2025 (As restated)	**912,920**	**10,137**	**1,236**	**924,293**

Of the additions during the year £853,044k relate to TOCs who commenced trading during the year.

Rolling stock right of use assets has been restated for 2025, note 2b provides details of the prior year restatement. The parent company had no Right of Use assets.

16. Investments

The Group held the following unlisted investments at 31 March 2026 and 31 March 2025:

Company name	Class of share	Shares held at 31 Mar 2025	Proportion held	Shares held at 31 Mar 2026	Proportion held
ATOC Limited*	Ordinary (4p)	4	19%	8	38%
Rail Settlement Plan Limited*	Ordinary (4p)	4	20%	8	40%
Rail Staff Travel Limited*	Ordinary (4p)	4	20%	8	40%
NRES Limited*	Ordinary (£1)	4	20%	8	40%
Train Information Services Limited*	Ordinary (£1)	4	20%	9	40%
West Yorkshire Ticketing Company Limited**	Ordinary (£1)	28	12.8%	28	12.8%

* The registered office address for these entities is First Floor North, 1 Puddle Dock, London, England, EC4V 3DS. The principal activity of the above companies is to provide a range of services to all UK passenger rail operators, each of which has an equal share in the companies. The investment in Train Information Services Limited was not disclosed in the prior year financial statements in error. These entities were accounted for as investments held at fair value in the prior year, they have been accounted for as Associates in the year ended 31 March 2026.

** The registered office address for this entity is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT. 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. This investment was disclosed as an immaterial investment in Associate at nil value in the prior year accounts in error, in the year ended 31 March 2026 the entity has been accounted for as an investment held at a fair value of nil.

During the current year the proportion of the share capital which the Group owns for Rail Settlement Plan Limited, Rail Staff Travel Limited, NRES Limited and Train Information Services Limited increased from 20% to 40%. The Proportion of the share capital which the Group owns for ATOC Limited increased from 19% to 38%. The increase during the year is due to each TOC in the UK holding one share in these entities resulting in an increase in the shareholding of the Group each time a TOC transfers in. As a result of this, and the significant influence which the Group now has over these entities with regards to the participation in the policy making process, all these entities have been accounted for as Associates during the year ended 31 March 2026. In addition to these entities, the Group also have significant influence over Association of Train Companies which is an unincorporated association the members of which are the TOCs in the UK, it is through this entity that the TOCs provide funding to ATOC Limited.

These entities have all been accounted for using the equity method, none of these associates are material to the Group individually and in aggregate.

Aggregate financial information for the non-material associates

	31 March 2026	31 March 2025
	£ 000	£ 000
Group share of profit or loss from continuing operations	261	-
Other comprehensive income for the year	340	-
Total comprehensive income for the year	601	-
Aggregate carrying amount for the interest in associates	601	-

Details of investments in the Company's subsidiaries as at 31 March 2026 and as at 31 March 2025 are as follows, DFTO holds 100% ownership of each subsidiary:

Company name	Country of registration	No. of shares held	Class of share	Company 2026 £ 000	(As restated) Company 2025 £ 000
London North Eastern Railway Ltd [2]	UK	1	Ordinary (£1)	25,107	24,360
SE Trains Ltd [3]	UK	1	Ordinary (£1)	22,124	26,185
Train Fleet (2019) Ltd [10]	UK	16,100,100	Ordinary (£1)	6,893	7,085
Northern Trains Ltd [4]	UK	1	Ordinary (£1)	41,255	50,187
Greater Western Railway Ltd [1]	UK	1	Ordinary (£1)	1	-
South Western Railway Ltd [6]	UK	1	Ordinary (£1)	2,548	-
Cross Country Rail Ltd [1]	UK	1	Ordinary (£1)	-	-
C2C Railway Ltd [7]	UK	1	Ordinary (£1)	623	-
Railway West Coast Ltd [1]	UK	1	Ordinary (£1)	-	-
GA Trains Limited Ltd [8]	UK	1	Ordinary (£1)	2,252	-
TransPennine Trains Ltd [5]	UK	1	Ordinary (£1)	3,183	3,591
Chiltern Rail Ltd [1]	UK	1	Ordinary (£1)	1	-
WM Trains Ltd [9]	UK	1	Ordinary (£1)	626	-
Midlands East Trains Ltd [1]	UK	1	Ordinary (£1)	-	-
Thameslink Southern Great Northern Ltd [1]	UK	1	Ordinary (£1)	-	-
Total Investments				**104,613**	**111,408**

(1) These subsidiaries have claimed the audit exemption for the year ended 31 March 2026 under Section 479A of the Companies Act 2006. The registered address for all these subsidiaries is Waterloo General Office 2nd Floor, Waterloo General Office, Waterloo Station, London, United

Kingdom, SE1 8SW. These subsidiaries did not trade during the year.

(2) LNER registered address: West Offices, Station Rise, York, England, YO1 6GA

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

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

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

(6) SWR registered address: South Bank Central 4th Floor, 30 Stamford Street, London, England, SE1 9LQ.

(7) c2c registered address: Centennium House 7th Floor, Lower Thames Street, London, England, EC3R 6DL.

(8) GAT registered address: One Stratford Place, Montfichet Road, London, England, E20 1EJ.

(9) WMT registered address: 134 Edmund Street, 2nd Floor, Birmingham, England, B3 2ES.

(10) TF19 registered address: Waterloo General Office, 2nd Floor, Waterloo Station, London, England, SE1 8SW. This company has claimed the audit exemption for the year ended 31 March 2026 under Section 479A of the Companies Act 2006.

The investment in London North Eastern Railway Ltd has been restated for 2025, note 2b provides details of the prior year restatement.

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 2(y) 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 loss of £6,795k (2025: gain of £1,934k). The level 3 inputs reflect the assumptions that market participants would use when pricing the investments, under the public ownership programme it is considered that the market participants are other public sector bodies. As the fair value of the investment in subsidiary is the net assets, the unobservable inputs to the fair value are any items which would impact the net assets of the subsidiary. Management have gained comfort that the net assets of the subsidiaries are materially correct through internal processes and controls ensuring accuracy of financial reporting and that all subsidiaries are subject to external audit. The fair value is calculated with reference to net assets, for the reasons noted management have gained comfort that the fair value of the investments is materially correct. As at 31 March 2026, a 20% over or under statement of the net assets of the subsidiary companies could lead to a movement upwards or downwards in the carrying value of the investment in the subsidiary investments of £20,923k (2025: £22,281k). This is calculated by applying a 20% sensitivity to the net asset value of the subsidiaries.

17. Inventories

	Group		Company	
	31 March 2026	31 March 2025	31 March 2026	31 March 2025
	£ 000	£ 000	£ 000	£ 000
Raw materials and consumables	25,975	14,833	-	-

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 £129,449k (2025: £108,059k). The cost of write down of inventories recognised in operating costs during the year amounted to £3,027k (2025: write off £2,993k).

18. Trade and other receivables

	Group		Company	
	31 March 2026	31 March 2025	31 March 2026	31 March 2025
Non-current assets	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Prepayments	26,758	-	-	-
Other receivables	1,879	-	-	-
	28,637	**-**	**-**	**-**

	Group		Company	
	31 March 2026	(As restated) 31 March 2025	31 March 2026	31 March 2025
Current assets	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Trade receivables:				
Rail Settlement Plan	140,994	66,485	-	-
Other trade receivables	207,911	94,104	-	-
	348,905	**160,589**	**-**	**-**
Amounts owed by group undertakings	-	-	48,840	683
Value added tax receivable	83,952	87,602	303	146
Accrued income	59,263	21,455	-	-
Prepayments	154,877	92,648	291	82
Corporation tax receivable	4,995	3,406	-	-
Derivative financial instruments	9,093	109	-	-
Other receivables	42,651	21,800	28	9
	703,736	**387,609**	**49,462**	**920**

Trade receivables – Rail Settlement Plan has been restated for 2025, note 2b provides details of the prior year restatement.

Amounts owed by group undertakings comprise trading balances which are due within one year and are repayable on demand and interest free, and short-term loans provided to subsidiaries of £46,000k which are repayable within one year. Interest is charged on these loans at the Public Works Loan Board (‘PWLB’) Standard

Maturity Rate, less the PWLB Loan Margin, plus 0.8% accruing on a daily basis.

Other receivables includes £31,099k (2025: £nil) owed by the previous operators of TOCs who transferred into the group and commenced trading during the year.

Prepayments includes a highspeed (HS1) track access payment, paid for quarterly in advance £57,804k (2025: £52,620k).

Other trade receivables includes a receipt due from the DfT of £104,803k (2025: £45,731k) 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. Expenses relating to expected credit losses are included within other operating cost in the Income Statement.

19. Trade and other payables

Current liabilities	Group		Company	
	31 March 2026	(As restated) 31 March 2025	31 March 2026	31 March 2025
	£ 000	£ 000	£ 000	£ 000
Trade payables	224,954	162,362	704	263
Accrued expenses	522,871	285,887	2,570	165
Amounts owed to group undertakings	-	-	749	711
Social security and other taxes	48,114	25,420	195	103
Corporation tax payable	4,440	6,623	-	-
Deferred capital grant income	14,720	4,610	2,555	-
Deferred season ticket revenue	56,764	36,874	-	-
Deferred revenue	217,571	142,746	-	-
Other payables	13,943	18,836	63	649
	1,103,377	**683,358**	**6,836**	**1,891**

Non-current liabilities	Group		Company	
	31 March 2026	31 March 2025	31 March 2026	31 March 2025
	£ 000	£ 000	£ 000	£ 000
Deferred capital grant income	55,773	27,149	-	-
Deferred revenue	9,889	1,264	-	-
	65,662	28,413	-	-

Trade payables and corporation tax payable have been restated for 2025, note 2b provides details of the prior year restatement. Amounts owed to group undertakings within one year, are repayable on demand and interest free.

Trade payables includes a payment due to the DfT of £885k (2025: £30,421k) 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 £57,804k (2025: £52,620k) relating to the year ended 31 March 2026.

Deferred income and deferred season ticket income are contract liabilities under IFRS 15. Revenue of £122,721k has been recognised during the year in relation to the contract liability of £124,848k at the beginning of the year, £53,202k of this revenue is in relation to performance obligations in relation to season tickets and rail cards which were partially satisfied in prior periods. The payment for satisfying these performance obligations was received in the prior period.

20. Provisions

Group	Tribunal	Onerous contracts	Insurance claims	Dilapidations	Other contractual provisions	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 April 2025	5,865	2,708	3,400	43,002	15,008	69,983
Additional provisions	1,374	1,863	3,081	41,128	15,772	63,218
Transfers in and other changes	-	-	-	25,164	2,029	27,193
Provisions used	-	(4,571)	(900)	(14,020)	(11,308)	(30,799)
Unused provision reversed	-	-	(1,078)	(2,907)	(6,671)	(10,656)
At 31 March 2026	7,239	-	4,503	92,367	14,830	118,939
Non-current liabilities	-	-	550	61,338	10,309	72,197
Current liabilities	7,239	-	3,953	31,029	4,521	46,742

	Tribunal	Onerous contracts	Insurance claims	Dilapidations	Other contractual provisions	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 April 2024	5,621	5,931	3,485	31,824	6,794	53,655
Additional provisions	244	12,228	1,595	20,102	17,130	51,299
Provisions used	-	(15,451)	(924)	(7,132)	(3,632)	(27,139)
Unused provision reversed	-	-	(756)	(2,696)	(5,284)	(8,736)
Increase (decrease) from transfers and other changes	-	-	-	904	-	904
At 31 March 2025	5,865	2,708	3,400	43,002	15,008	69,983
Non-current liabilities	-	-	411	21,109	-	21,520
Current liabilities	5,865	2,708	2,989	21,893	15,008	48,463

Insurance claims

The 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 and timing of settlement are based on prior claims history.

Dilapidations

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.

Utilisation of Dilapidations liabilities in the year occurred when agreed upon works is complete. It is expected that these provisions will continue to be utilised as the work to meet the dilapidation conditions are met, and the provision has been aged on the basis of the current expectation of management of when this will occur.

Tribunal

The Tribunal provision 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 2026/27, as a result the provision has been classified as current.

Onerous contracts

The Onerous Contract provision related 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 have now expired and the provision has been fully utilised.

Other contractual provisions

These provisions relate to other contractual liabilities. Payments are expected to be made in respect of these claims as they are settled, the timing of the settlement of these provisions is uncertain and has been estimated based on the current expectations of management. Estimates of claim values are based on prior claims history.

21. Deferred tax assets and liabilities

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:

	Group		Company	
	31 March 2026	31 March 2025	31 March 2026	31 March 2025
	£ 000	£ 000	£ 000	£ 000
Fixed assets	(10,347)	(5,224)	(3)	(7)
Defined benefit pension	-	2	-	-
Short-term provision	8,718	5,701	412	14
Tax credit and loss carry forward	1,683	759	1,683	533
Deferred tax asset	**54**	**1,238**	**2,092**	**540**

Group deferred tax movement during the year:

	At 1 April 2025	Recognised in income	At 31 March 2026
	£ 000	£ 000	£ 000
Fixed assets	(5,224)	(5,123)	(10,347)
Defined benefit pension	2	(2)	-
Short-term provision	5,701	3,017	8,718
Tax credit and loss carry forward	759	924	1,683
	1,238	(1,184)	54

Group deferred tax movement during the prior year:

	At 1 April 2024	Recognised in income	Recognised in other comprehensive income	At 31 March 2025
	£ 000	£ 000	£ 000	£ 000
Fixed assets	(4,273)	(951)	-	(5,224)
Defined benefit pension	106	(210)	106	2
Short-term provision	5,976	(275)	-	5,701
Tax credit and loss carry forward	550	209	-	759
	2,359	(1,227)	106	1,238

Company deferred tax movement during the year:

	At 1 April 2025	Recognised in income	At 31 March 2026
	£ 000	£ 000	£ 000
Fixed assets	(7)	4	(3)
Short-term provisions	14	398	412
Tax credit and loss carry forward	533	1,151	1,683
	540	**1,553**	**2,092**

Company deferred tax movement during the prior year:

	At 1 April 2024	Recognised in income	At 31 March 2025
	£ 000	£ 000	£ 000
Fixed assets	1	(8)	(7)
Short-term provisions	-	14	14
Tax credit and loss carry forward	-	533	533
	1	**539**	**540**

Deferred tax assets and liabilities are assessed for the year using the standard effective rate of corporation tax in the UK of 25% (2025: 25%).

A deferred tax asset of £208k (2025: £172k) has not been recognised in TF19 in relation to the utilisation of tax losses in the future.

22. Financial instruments

	Group		Company	
	31 March 2026	(As restated) 31 March 2025	31 March 2026	31 March 2025
	£ 000	£ 000	£ 000	£ 000
Financial assets measured at fair value through profit and loss				
Derivative financial instruments	9,093	109	-	-
Financial assets measured at amortised cost				
Cash and cash equivalents	561,056	415,578	83,867	82,287
Trade receivables	348,905	160,589	-	-
Other debtors	101,913	43,255	28	9
Amounts owed by Group undertakings	-	-	48,840	683
	1,020,967	**619,531**	**132,735**	**82,979**
Financial liabilities measured at amortised cost				
Trade payables	224,954	162,362	704	263
Other liabilities (current)	13,943	18,836	63	649
Accrued expenses	522,871	285,887	2,570	165
Lease liabilities	1,429,345	937,283	-	-
Amounts owed to Group undertakings	-	-	749	711
	2,191,113	**1,404,368**	**4,086**	**1,788**

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 28. The accrued expenses and trade creditors are stated above at the undiscounted cash flow amount and are expected to mature within one year. Other liabilities (current) consists of other payables of £13,943k and are expected to mature within one year.

Other liabilities (current) for the prior year have been restated in order to remove provisions within current liabilities of £48,463k as they are not financial liabilities at amortised cost. Other liabilities (non-current) of £21,520k which were disclosed in the prior year have been removed as they related to non-current provisions. See Note 33 for the impact of the prior year restatement disclosed at Note 2(b) on this note.

23. 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 2026 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.

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 Company has no material market risk exposure.

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

£233,814k as at 31 March 2026 (2025: £193,298k (restated)).

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

24. Share capital

Allotted, called up and fully paid shares

	31 March 2026		31 March 2025	
	No.	£	No.	£
Ordinary shares of £1 each	1	1	1	1

25. Reserves

A reconciliation of the movements in reserves is shown in the Consolidated Statement of Changes in Equity on page 98 and (the Company on page 100). The balance held in the retained earnings reserve includes the accumulated retained profits of the Group.

The capital contribution relates to £16,100k of grant from the Department for Transport to DFTO used to acquire £16,100k 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 for 2026/2027 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.

26. Capital commitments

	Group		Company	
	31 March 2026	31 March 2025	31 March 2026	31 March 2025
	£ 000	£ 000	£ 000	£ 000
Contracted	97,430	48,158	-	-
	97,430	**48,158**	**-**	**-**

Capital commitments relate to capital projects that the Group is committed to and contracted for.

27. Transfer Agreement

a. Transfer of First MTR South Western Trains Limited assets and liabilities to SWR

On 25 May 2025, First MTR South Western Trains Limited ceased operations and South Western Railway Limited began operating under a Service Agreement with the Department for Transport. On the date of transfer, certain assets and liabilities were transferred from First MTR South Western Trains Limited to South Western Railways Limited. The net consideration received by

South Western Railway Limited was £47,920k and was settled during the year.

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

	Transfer value
	£ 000
Inventories	4,958
Prepayments	4,813
Other receivables	495
Cash on hand	472
Other payables	(16,939)
Deferred income	(38,853)
Dilapidation	(2,866)
Net liability	**(47,920)**
Cash consideration received	47,920
Total cash settlement during the year	**47,920**

In addition to the above consideration due directly from First MTR South Western Trains Limited, consideration for rolling stock dilapidations totalling £9,124k was transferred via a separate contractual arrangement

b. Transfer of Trenitalia c2c Limited assets and liabilities to c2c

On 20 July 2025, Trenitalia c2c Limited ceased operations and c2c Railway Limited began operating under a Service Agreement with the Department for Transport. On the date of transfer, certain assets and liabilities were transferred from Trenitalia c2c Limited to c2c Railway Limited. The net consideration received by c2c Railway Limited was £12,751k and was settled during the year.

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

	Transfer value
	£ 000
Prepayments	8,639
Other receivables	222
Cash on hand	859
Other payables	(1,985)
Deferred income	(2,875)
Provisions	(13,461)
Accruals	(4,150)
Net liability	**(12,751)**
Cash consideration received	12,751
Total cash settlement during the year	**12,751**

c. Transfer of Transport UK East Anglia Limited assets and liabilities to GA

On 12 October 2025, Transport UK East Anglia Limited ceased operations and GA Trains Limited began operating under a Service Agreement with the Department for Transport. On that date certain assets and liabilities were transferred from Transport UK East Anglia Limited to GA Trains Limited. The net consideration receivable by GA Trains Limited is currently £11,831k. Discussions are still ongoing on certain items so not settlement has been made to date, however the current expectation is that full and final settlement will be made within the financial year to 31 March 2027. The assets and liabilities which are still to be finalised are subject to commercial negotiations.

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

	Transfer value
	£ 000
Inventories	345
Trade and other receivables	9,998
Cash on hand	241
Trade and other payables	(9,071)
Deferred income	(5,635)
Dilapidations provisions	(7,709)
Net liability	**(11,831)**
Total cash settlement during the year	**-**

In addition to the above consideration due directly from Transport UK East Anglia Limited, consideration for rolling stock dilapidations totalling £3,567k was transferred via a separate contractual arrangement, this was fully reimbursed during the reporting period. Deferred income of £18,192k was also transferred via separate contractual arrangement and was fully reimbursed after the reporting date.

Further contractual rights in relation to rolling stock delivery were transferred to GA Trains Limited at £nil consideration, with any benefits arising from these rights expected to be non-monetary in nature. The Directors have determined that none of the transaction price set out above can be allocated to these rights, and as a result no amounts are recognised in the financial statements with respect to them.

d. Transfer of West Midlands Trains Limited assets and liabilities to WMT

On 1 February 2026, West Midlands Trains Limited ceased operations and WM Trains Limited began operating under a Service Agreement with the Department for Transport. On that date certain assets and liabilities were transferred from West Midlands Limited to WM Trains Limited. The net consideration receivable to WM Trains Limited is currently £7,296k. Discussions are still ongoing on certain items so no settlement has been made to date, however the current expectation is that full and final settlement will be made within the financial year to 31 March 2027. The assets and liabilities which are still to be finalised are subject to commercial negotiations.

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

	Transfer value
	£ 000
Inventories	4,712
Prepayments	3,714
Provisions	(1,040)
Other receivables	57
Cash on hand	239
Accruals	(9,207)
Other payables	(2,158)
Deferred income	(3,220)
Dilapidation	(2)
Social security and other taxes	(477)
Other debtors	86
Net liability	**(7,296)**
Total cash settlement during the year	**-**

In addition to the above consideration due directly from West Midlands Trains Limited, consideration for rolling stock dilapidations totalling £2,227k was transferred via a separate contractual arrangement and was fully reimbursed. Deferred income of £5,300k was also transferred via separate contractual arrangement and was fully reimbursed after the reporting date. Both were fully reimbursed during the reporting period.

28. Leases

Group	Rolling stock £ 000	Land and buildings £ 000	Plant and equipment £ 000	Total £ 000
Lease liabilities				
At 1 April 2024	584,637	7,282	562	592,481
Prior Year Adjustment	43,095	-	-	43,095
At 1 April 2024 (restated)	627,732	7,282	562	635,576
Remeasurement	489,354	7,462	1,422	498,238
Additions	127	1,068	-	1,195
Modification	188,279	-	-	188,279
Interest	27,395	366	37	27,798
Repayment of lease liabilities	(406,751)	(6,175)	(877)	(413,803)
At 31 March 2025 (As restated)	**926,136**	**10,003**	**1,144**	**937,283**
At 1 April 2025	926,136	10,003	1,144	937,283
Remeasurement	209,483	2,182	27	211,692
Additions	852,420	10,329	3,605	866,354
Interest	60,961	678	108	61,747
Repayment of lease liabilities	(638,168)	(8,001)	(1,562)	(647,731)
At 31 March 2026	**1,410,832**	**15,191**	**3,322**	**1,429,345**
Balance at 31 March 2026				
Current lease liabilities	691,356	7,249	1,759	700,364
Non-current lease liabilities	719,476	7,942	1,563	728,981
Total lease liabilities	**1,410,832**	**15,191**	**3,322**	**1,429,345**
Balance at 31 March 2025 (As restated)				
Current lease liabilities	364,319	4,434	562	369,315
Non-current lease liabilities	561,817	5,569	582	567,968
Total lease liabilities	**926,136**	**10,003**	**1,144**	**937,283**

Rolling stock lease liabilities have been restated for 2025, note 2b provides details of the prior year restatement.

Lease amounts recognised in operating costs

	Other £ 000	Rolling stock £ 000	Land and buildings £ 000	Plant and equipment £ 000	Total £ 000
Lease amounts recognised in operating costs:					
At 31 March 2026	1,295	-	1,309	813	3,417
At 31 March 2025	-	12,808	142	746	13,696

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 March 2026	31 March 2025
	£ 000	£ 000
Less than one year	748,366	402,059
2 years	637,256	382,016
3 years	114,564	209,385
Total lease liabilities (undiscounted)	1,500,186	993,460

For NTL the remeasurement in the year relates to the extension of the service period to 12 November 2028 from the previous end date of 7 February 2027. As a result of this there is an increase in the asset value and recognised liability as at the balance sheet date. The incremental borrowing rate remained unchanged, as the lease extension in prior financial year occurred within the same calendar year as this remeasurement, in accordance with the Group accounting policy.

For LNER, the remeasurement in the year for rolling stock relates to the extension of the 225 train fleet. 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 at 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 20 August 2028 from the previous end date of 25 May 2027. This 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 at the point of remeasurement as per the Group’s accounting policy.

During the year, the Group incurred variable lease payment expenses of £36,233k (2025: £17,310k) that were not included in the measurement of the lease liabilities. The amount of future payments under these arrangements totals £120,840k (2025: £38,339k).

29. Retirement benefits

Details of scheme

The Company's subsidiaries 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 Railway Pension Scheme is administered by Railpen Limited and the Corporate Trustee is Railway Pension Trustee Company Limited. Further details, including the Annual Report, for the Railways Pension Scheme can be obtained from the Railpen website at www.railpen.com.

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.

The Section is open to new members.

For LNER employer contributions for the year reflect a rate of 12.48%, 10.92% and 10.44% of Section Pay for

Category 60, Category 62 and Category 64 members respectively until 31 March 2026, at which point the rate decreased to 11.94%, 10.38% and 9.90% respectively.

For NTL employer contributions for the ex-North East Section (including transferred-in ex-East Midlands members) for the period reflect a rate of 12.60% and 11.04% of Section Pay for Category 60 and Category 62 Members respectively until 31 March 2026, at which point the rate increased to 12.06% and 10.50%, respectively. Employer contributions for the ex- North West Section for the period reflect a rate of 12.60% and 11.04% of Section Pay for Category 60 and Category 62 Members respectively until 31 March 2026, at which point the rate increased to 12.06% and 10.50%, respectively.

For SET employer contributions for the year reflect a rate of 12.48% and 10.98% of Section Pay for Category 60 and Category 62 members respectively until 31 March 2026, at which point the rate increased to 11.94% and 10.44% respectively.

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 31 March 2026, 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 31 March 2026, at which point the rate reduced to 12.00% and 10.44%

respectively. These rates are based on a roll forward of the 31 December 2022 triennial valuation.

For SWR employer contributions for the year reflect a rate of 12.60% and 11.04% of Section Pay for Category 60 Members and Category 62 Members respectively until 31 March 2026, at which point the rates decreased to 12.06% and 10.50% respectively. Employer contributions for the Island Line Section for the period reflect a rate of 12.72% and 11.16% of Section Pay for Category 60 Members and Category 62 Members respectively until 31 March 2026, at which point the rates reduced to 12.18% and 10.62% respectively.

For C2C employer contributions for the year reflect a rate of 12.06% and 10.56% of Section Pay for Category 60 and Category 62 members respectively until 31 March 2026 and 11.52% and 10.02% thereafter.

For GA employer contributions for the Anglia Railways Section for the period reflect a rate of 13.20% and 11.58% of Section Pay for Category 60 Members and Category 62 Members respectively until 31 March 2026, at which point the rate decreased to 12.66% and 11.04% respectively. Employer contributions for the Great Eastern Railway Section for the period reflect a rate of 12.78% and 11.22% of Section Pay for Category 60 Members and Category 62 Members respectively until 31 March 2026, at which point the rates decreased to 12.24% and 10.68% respectively. Employer contributions for the London Eastern Railway (West Anglia) Section for the period reflect a rate of 12.96% and 11.34% of Section

Pay for Category 60 Members and Category 62 Members respectively until 31 March 2026, at which point the rates decreased to 12.42% and 10.80% respectively.

For WMT employer contributions for the year reflect rates of 12.66%, 11.76% and 11.16% of Section Pay for Category 60, Category 60 members (special) and Category 62 members respectively until 31 March 2026 at which point the rates decreased to 12.12%, 11.22% and 10.62% 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 is 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 triennial valuation as at 31 March 2025 is currently taking place and has not been complete as at the date of signing these financial statements

The discounted mean term of the Section’s DBO was 16 years for all schemes except for SET and NTL (17 years), TPT (18 years) and GA (15 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.

In the year ended 31 March 2025 the pension disclosures for each TOC were presented separately. The pension disclosures for the year ended 31 March 2026 have been presented on an aggregate basis for all TOCs, with the comparatives also presented on the same basis. This is considered to be appropriate due to all companies being members of the RPS and the sections for each company sharing similar characteristics. Disclosure of the RPS pension sections for each TOC are included in the individual company financial statements.

Membership data

	31 March 2026	31 March 2025
	Number	Number
Active members	29,420	16,714
Deferred members	20,102	11,689
Pensioner members (including dependants)	22,645	11,482

Asset data

	31 March 2026	31 March 2025
	£ 000	£ 000
Growth assets	4,558,775	2,397,847
Government bonds	1,191,181	645,260
Other assets	1,059,845	560,240
Total asset value	**6,809,801**	**3,603,347**

IFRS 13 Fair Value

The following table shows the assets split according to the IFRS 13 Fair Value hierarchy:

	31 March 2026	31 March 2025
	£ 000	£ 000
Level 1	3,915,192	2,120,711
Level 2	872,022	403,189
Level 3	2,022,587	1,079,447
	6,809,801	**3,603,347**

Summary of assumptions

	31 March 2026	31 March 2025
	% pa	% pa
Discount rate	6.20 - 6.30	5.75
Future price inflation (RPI measure)	3.25	3.05
Future price inflation (CPI measure)	3.05	2.80
Pension increases (CPI measure)	3.05	2.80
Pensionable Salary increases	3.25	3.05

The methodology to determine the discount rate was changed at the year-end to include bonds callable within 1 year of maturity. This change aimed to improve the robustness of the bond universe by increasing the number of bonds (including at longer maturities) whilst maintaining or improving key quality metrics. The effect of the change at 31 March 2026 was to reduce the value of the DBO by around 1.5%.

The assumed average expectation of life in years for male and female at age 65 now and age 65 in 20 years:

	31 March 2026	31 March 2025
Male currently aged 65	20.2 - 20.7	19.9 - 20.1
Male currently aged 45	21.6 - 22.1	21.3 - 21.4
Female currently aged 65	22.5 - 22.6	22.4 - 22.5
Female currently aged 45	24.0 - 24.1	23.9 - 24.0

Defined benefit obligation at end of year	**31 March 2026**	**(As restated) 31 March 2025**
	£ 000	**£ 000**
Active members	(3,254,651)	(1,725,077)
Deferred members	(810,312)	(447,696)
Pensioner members (incl. dependants)	(1,504,193)	(911,708)
Total defined benefit obligation	**(5,569,156)**	**(3,084,481)**
Fair value of assets at end of year	6,809,801	3,603,347
Funded status at year end	**1,240,645**	**518,866**
(Surplus) expected to be recovered after end of current service period	(1,240,645)	(518,866)
Net defined benefit asset at end of the year	**-**	**-**

The above reconciliation of the defined benefit asset has been restated for the prior year. The RPS Section is in surplus, in the previous year the group recognised a 40% allocation of this surplus to the member's of the scheme to recognise that the RPS is a shared cost scheme with costs formally shared 60% employer and 40% employee. On review of the scheme rules in the current year, it has been concluded that the group has an unconditional right to the return of surplus assets in the scheme and hence have recognised 100% of the surplus prior to the adjustment for the surplus expected to be recovered after the end of the current service period. The basis for this judgement is that the group as employer are able to veto any proposed utilisation of the surplus and the Trustees cannot unilaterally wind up the scheme. If in the event of a wind up of the scheme, there are no beneficiaries remaining, then the surplus would be returned to the group. While it is considered extremely unlikely that the group would veto any use of the surplus until such time that no beneficiaries are alive, the result is nonetheless that the group have an unconditional right of the surplus in line with the accounting recognition requirements of IFRIC 14. The recovery of surplus is expected to occur after the end of the current service agreement period and therefore no surplus has been recognised by the group as detailed in the Critical estimates and judgements.

Reconciliation of net defined benefit obligation	**31 March 2026**	**31 March 2025**
	£ 000	**£ 000**
Opening net defined (obligation) liability	-	(423)
Employer's share of P&L expense	(80,103)	(48,648)
Employers' contributions	80,103	49,091
Total gain recognised in Other Comprehensive Income	-	(20)
Closing net defined benefit obligation	**-**	**-**

Income statement:	31 March 2026 £ 000	31 March 2025 £ 000
Amounts recognised in operating costs		
Employer’s share of service cost	100,938	77,209
Franchise adjustment to service cost	(24,390)	(32,406)
Employer’s share of administration cost	3,555	3,865
Total employer’s share of service cost	**80,103**	**48,668**
Amounts recognised in finance costs		
Employer’s share of net interest on net defined benefit (asset)	(28,194)	(8,741)
Interest on current service period adjustment	28,194	8,721
Total employer’s share of finance costs	**-**	**(20)**
Total recognised in Income Statement	**80,103**	**48,648**

	31 March 2026 £ 000	31 March 2025 £ 000
Statement of other comprehensive income:		
Loss/(Gain) due to demographic assumption	4,665	(3,007)
Loss/(Gain) due to financial assumptions	70,414	(153,215)
Loss due to DBO experience	62,042	80,746
Return on plan assets less/(greater) than discount rate	(137,121)	75,496
Total loss recognised in Other Comprehensive Income	**-**	**20**

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

Reconciliation of defined benefit obligation (DBO):	31 March 2026	31 March 2025
	£ 000	£ 000
Opening defined benefit obligation	3,084,481	3,399,278
Service cost	100,938	77,209
Franchise adjustment to service cost	(24,390)	(32,406)
Interest cost on DBO	152,094	97,210
Interest on franchise adjustment	28,194	8,721
Employee contributions	52,837	32,299
Loss on DBO – experience	108,955	135,030
(Gain) on DBO – demographic assumptions	7,774	(5,011)
(Gain) on DBO – financial assumptions	(188,669)	(510,345)
Actual benefit payments	(191,681)	(117,504)
Transferred defined benefit obligation	2,438,623	-
Closing defined benefit obligation	**5,569,156**	**3,084,481**

Reconciliation of value of assets:	31 March 2026	31 March 2025
	£ 000	£ 000
Opening value of schemes' assets	3,603,348	3,663,200
Interest income on assets	180,284	105,954
Return on plan assets greater/(less) than discount rate	222,513	(125,828)
Employer contributions	80,103	49,091
Employee contributions	52,837	32,299
Actual benefit payments	(191,681)	(117,504)
Administration costs	(3,555)	(3,865)
Transferred value of section assets	2,865,952	-
Closing value of schemes' assets	**6,809,801**	**3,603,347**

	Sensitivity	Approximate change in DBO £ 000
Discount rate	-1.00% pa	964,041
	+1.00% pa	(756,056)
Price inflation*	-1.00% pa	(761,497)
	+1.00% pa	958,633
Salary increases	-0.25% pa	(62,887)
	+0.25% pa	65,017
Life expectancy	-1 year	(162,550)
	+1 year	156,880

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

The sensitivity figures are as at 31 March 2026. Note that these scenarios do not represent upper or lower bounds on what could happen.

The discount rate is set by reference to market conditions at the reporting date, and can vary significantly between periods. The earnings increases are linked to inflation and so set by reference to market conditions at the reporting date.

The mortality assumptions used are set by considering the experience of the scheme's members, and by making an allowance for possible future improvements in longevity. Mortality assumptions are difficult to set accurately and forecasting rates of future mortality improvement is inevitably speculative.

The expected future contributions including employee and employer contributions are £156,616k for the 2027 year, based on the 2022 Schedule of Contributions.

Defined contribution pension scheme

The cost of contributions to the defined contribution scheme amounts to £3,991k (2025: £544k).

30. 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 termination of all the Services Agreements. As at 31 March 2026, the Company had no outstanding balances owed to or from the Secretary of State for Transport (2025: £nil).

The Department for Transport (‘DfT’) is a material related party under common control with the Group. The TOCs within the Group operates under a Service Agreement with DfT, the Group received subsidy of £1,470,513k (2025: £1,341,068k) from the DfT during the year, and has paid a premium of £50,892k (2025: nil).

Other trade receivables includes a receipt due from the DfT of £104,803k (2025: £45,731k) representing the difference between final amounts due and the forecasted amounts claimed for the DfT service agreement subsidy. Trade payables includes a payment due to the DfT of £885k (2025: £30,421k) 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 £57,804k (2025: £52,620k) relating to the year ended 31 March 2026.

Network Rail is also a related party under common control. During the year the net cost of goods and services purchased from and sold to Network Rail was £1,046,539k (2025: £615,346k). Capital project funding of £2,542k was received during the year (2025: £6,730k). As at 31 March 2026, balances with Network Rail included receivables of £48,967k (2025: £37,042k) and payables of £119,473k (2025: £82,030k).

British Transport Police is also a related party under common control. During the year the net cost of goods and services purchased from British Transport Police was £52,134k (2025:£39,487k) at 31 March 2026 the company had a payable balance of £124k (2025: £nil).

The Group considers the DfT, Network Rail and British Transport Police to be material UK Government-related entities (and therefore those transactions are disclosed), and all other entities within the government as UK Government-related entities with which the entity does not have material transactions (which are therefore not disclosed).

Rail Delivery Group Limited, ATOC Limited, Rail Settlement Plan Limited, Rail Staff Travel Limited, NRES Limited and Train Information Services Limited are Associates of the Group. All these entities are membership bodies for the rail industry under the umbrella of the Rail Delivery Group. During the year ended 31 March 2026 the Group had transactions with these companies as follows:

- Rail Settlement Plan Limited had purchases of £12,624k (2025: £8,841k) with a payable balance of £810k as at 31st March 2026 (2025: £687k).
- ATOC Limited had purchases of £12,499k (2025: £15,605k) with a payable balance of £645k as at 31st March 2026 (2025: £600k).
- Rail Staff Travel Limited had purchases of £171k (2025: £98k) with a payables balance of £1k as at 31st March 2026 (2025: £4k).
- NRES Limited had purchases of £195k (2025: £289k) with a payables balance of £13k as at 31st March 2026 (2025: £19k).
- Train Information Services Limited had purchases of £4,922k (2025: £3,376k) with a payables balance of £522k as at 31st March 2026 (2025: £206k).

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. During the year the Company made management and legal recharges to its subsidiaries totalling £6,126k and charged interest on intercompany loans of £672k. At the year end £48,840k was owed to the Company by subsidiaries of which £46,000k relates to loans made to subsidiaries, and the Company owed

£749k to subsidiaries. The Company and its subsidiaries are all government-related entities under IAS 24.

31. Ultimate parent undertakings

The immediate and ultimate parent undertaking and controlling party is the Secretary of State for Transport. The financial statements of the Department 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.

The Group's financial statements are available from its registered office.

32. Post balance sheet events

On 31 May 2026, the operation of all Greater Thameslink Railway services transferred from Govia Thameslink Railway Limited to Thameslink Southern Great Northern Limited ('TSGN'), a DFTO subsidiary. TSGN 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 TSGN access to sufficient funds for the required operations. All assets and liabilities were transferred to TSGN, at values to be agreed between the parties.

This is a non-adjusting post balance sheet event with no impact on the current year financial statements. TSGN will be a material subsidiary of the Group for the year ended 31 March 2027. For the year ended 31 March

2025, being the last financial year for which financial results are publicly available, Govia Thameslink Railway Limited generate revenue of £1,998,512k and made a profit before tax of £33,719k.

33. Prior period restatement

As noted at Note 2(b) the group financial statements for the year ending 31 March 2025 and opening Statement of Financial Position have been restated for lease accounting under IFRS 16 and to re-classify RSP payables to net against RSP receivables. The effect of restating the prior year financial statements on each line in the prior year approved financial statements are detailed below.

Impact on Consolidated Income Statement for the year ended 31 March 2025

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Passenger revenue	2,336,640	-	-	2,336,640
Other revenue	1,508,420	-	-	1,508,420
Total revenue	**3,845,060**	**-**	**-**	**3,845,060**
Other operating expenses	(3,845,845)	-	(19,695)	(3,865,540)
Other income	66,408	-	-	66,408
Operating profit	**65,623**	**-**	**(19,695)**	**45,928**
Finance income	10,946	-	-	10,946
Finance costs	(49,584)	-	21,675	(27,909)
Profit before tax	**26,985**	**-**	**1,980**	**28,965**
Income tax expense	(7,508)	-	(495)	(8,003)
Profit for the year from continuing operations	**19,477**	**-**	**1,485**	**20,962**
Loss from Discontinued Operations	(797)	-	-	(797)
Profit for the year	**18,680**	**-**	**1,485**	**20,165**

Impact on Consolidated Statement of Total Comprehensive Income for the year ended 31 March 2025

	Previously reported	Restatement for RSP debtor/ creditor	leases accounted for under IFRS 16	Restatement of 31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Total comprehensive income for the year	18,771	-	1,485	20,256

Impact on Consolidated Statement of Financial Position as at 31 March 2025

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Intangible assets	11,337	-	-	11,337
Tangible assets	157,447	-	-	157,447
Right of use assets	865,036	-	59,257	924,293
Deferred tax asset	1,238	-	-	1,238
Total non-current assets	**1,035,058**	**-**	**59,257**	**1,094,315**
Inventories	14,833	-	-	14,833
Trade and other receivables	439,731	(52,122)	-	387,609
Cash at bank and in hand	415,578	-	-	415,578
Total current assets	**870,142**	**(52,122)**	**-**	**818,020**
Total assets	**1,905,200**	**(52,122)**	**59,257**	**1,912,335**
Trade and other payables – current liabilities	(731,273)	52,122	(4,207)	(683,358)
Lease liabilities – current liabilities	(349,508)	-	(19,807)	(369,315)
Provisions – current liabilities	(48,463)	-	-	(48,463)
Total current liabilities	**(1,129,244)**	**52,122**	**(24,014)**	**(1,101,136)**
Net current liabilities	**(259,102)**	**-**	**(24,014)**	**(283,116)**
Trade and other payables – non-current liabilities	(28,413)	-	-	(28,413)
Lease liabilities – non-current liabilities	(550,662)	-	(17,306)	(567,968)
Provisions – non-current liabilities	(21,520)	-	-	(21,520)
Total non-current liabilities	**(600,595)**	**-**	**(17,306)**	**(617,901)**
Total liabilities	**(1,729,839)**	**52,122**	**(41,320)**	**(1,719,037)**
Net assets	**175,361**	**-**	**17,937**	**193,298**
Capital contribution	16,100	-	-	16,100
Cashflow hedge reserve	109	-	-	109
Retained earnings	159,152	-	17,937	177,089
Total shareholders' funds	**175,361**	**-**	**17,937**	**193,298**

Impact on Consolidated Statement of Financial Position as at 1 April 2024

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	1 April 2024 (restated)
	£ 000	£ 000	£ 000	£ 000
Intangible assets	15,531	-	-	15,531
Tangible assets	164,802	-	-	164,802
Right of use assets	574,590	-	63,259	637,849
Deferred tax asset	2,359	-	-	2,359
Total non-current assets	**757,282**	**-**	**63,259**	**820,541**
Inventories	14,961	-	-	14,961
Trade and other receivables	421,883	(33,670)	-	388,213
Cash at bank and in hand	350,144	-	-	350,144
Total current assets	**786,988**	**(33,670)**	**-**	**753,318**
Total assets	**1,544,270**	**(33,670)**	**63,259**	**1,573,859**
Trade and other payables – current liabilities	(713,372)	33,670	(3,712)	(683,414)
Lease liabilities – current liabilities	(310,744)	-	(5,982)	(316,726)
Provisions – current liabilities	(49,319)	-	-	(49,319)
Total current liabilities	**(1,073,435)**	**33,670**	**(9,694)**	**(1,049,459)**
Net current liabilities	**(286,447)**	**-**	**(9,694)**	**(296,141)**
Trade and other payables – non-current liabilities	(27,750)	-	-	(27,750)
Lease liabilities – non-current liabilities	(281,736)	-	(37,113)	(318,849)
Provisions – non-current liabilities	(4,336)	-	-	(4,336)
Retirement benefit obligation – non-current liabilities	(423)	-	-	(423)
Total non-current liabilities	**(314,245)**	**-**	**(37,113)**	**(351,358)**
Total liabilities	**(1,387,680)**	**33,670**	**(46,807)**	**(1,400,817)**
Net assets	**156,590**	**-**	**16,452**	**173,042**
Capital contribution	16,100	-	-	16,100
Retained earnings	140,490	-	16,452	156,942
Total shareholders' funds	**156,590**	**-**	**16,452**	**173,042**

Impact on Company Statement of Financial Position as at 31 March 2025

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Tangible assets	34	-	-	34
Investments	93,471	-	17,937	111,408
Deferred tax asset	540	-	-	540
Total non-current assets	**94,045**	**-**	**17,937**	**111,982**
Trade and other receivables	920	-	-	920
Cash at bank and in hand	82,287	-	-	82,287
Total current assets	**83,207**	**-**	**-**	**83,207**
Total assets	**177,252**	**-**	**17,937**	**195,189**
Trade and other payables – current liabilities	(1,891)	-	-	(1,891)
Total current liabilities	**(1,891)**	**-**	**-**	**(1,891)**
Net current assets	**81,316**	**-**	**-**	**81,316**
Total liabilities	**(1,891)**	**-**	**-**	**(1,891)**
Net assets	**175,361**	**-**	**17,937**	**193,298**
Capital contribution	16,100	-	-	16,100
Retained earnings	159,261	-	17,937	177,198
Total shareholders' funds	**175,361**	**-**	**17,937**	**193,298**

Impact on Company Statement of Financial Position as at 1 April 2024

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	1 April 2024 (restated)
	£ 000	£ 000	£ 000	£ 000
Intangible assets	1	-	-	1
Tangible assets	7	-	-	7
Investments	93,022	-	16,452	109,474
Deferred tax asset	1	-	-	1
Total non-current assets	**93,031**	**-**	**16,452**	**109,483**
Trade and other receivables	491	-	-	491
Cash at bank and in hand	78,369	-	-	78,369
Total current assets	**78,860**	**-**	**-**	**78,860**
Total assets	**171,891**	**-**	**16,452**	**188,343**
Trade and other payables – current liabilities	(15,301)	-	-	(15,301)
Total current liabilities	**(15,301)**	**-**	**-**	**(15,301)**
Net current assets	**63,559**	**-**	**-**	**63,559**
Total liabilities	**(15,301)**	**-**	**-**	**(15,301)**
Net assets	**156,590**	**-**	**16,452**	**173,042**
Capital contribution	16,100	-	-	16,100
Retained earnings	140,490	-	16,452	156,942
Total shareholders' funds	**156,590**	**-**	**16,452**	**173,042**

Impact on Consolidated Cashflow Statement for the year ended 31 March 2025

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Profit before taxation for continued operations	26,985	-	1,980	28,965
Profit before income tax including discontinued operations	26,215	-	1,980	28,195
Adjustment to cash flows from non-cash items:				
Depreciation and amortisation	440,487	-	19,556	460,043
Interest expense (IFRS 16)	49,473	-	(21,675)	27,798
Impairment of fixed assets	3,897	-	-	3,897
Working capital adjustments:				
Increase in trade and other receivables	(19,410)	18,452	-	(958)
Increase in trade and other payables	30,704	(18,452)	-	12,252
Increase in operating liabilities	(1,815)	-	139	(1,676)
Cash flow from financing activities				
Prinicipal element of lease payment	(364,330)	-	(21,675)	(386,005)
Interest element of lease payment	(49,473)	-	21,675	(27,798)

Impact on Other operating costs

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Depreciation on right of use assets	381,335	-	19,556	400,891
Other operating costs*	33,828	-	139	33,967
Total other operating costs	3,845,845	-	19,695	3,865,540

*Other operating costs for the year ended 31 March 2025 have been re-presented in the current year financial statements, prior to the restatement the amount recognised in other operating costs post the re-presentation was £33,828k. The amount for other operating costs disclosed in the prior year accounts, prior to this re-presentation, was £693,033k.

Impact on Finance income and costs

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Interest payables for IFRS 16 lease liabilities	(49,473)	-	21,675	(27,798)
Total finance costs	(49,584)	-	21,675	(27,909)
Net finance costs	(38,638)	-	21,675	(16,963)

Impact on Income tax

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Current taxation – UK corporation tax	5,805	-	495	6,300
Total current taxation	6,305	-	495	6,800
Tax expense in the income statement	7,508	-	495	8,003

Impact on Right of Use asset

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Rolling stock gross right of use asset as at 1 April 2024	1,855,060	-	160,579	2,015,639
Total IFRS 16 gross right of use asset at 1 April 2024	1,888,732	-	160,579	2,049,311
Remeasurement to rolling stock for the year ended 31 March 2025	473,479	-	15,554	489,033
Total remeasurements to IFRS 16 gross right of use asset for the year ended 31 March 2025	482,619	-	15,554	498,173
Rolling stock gross right of use asset as at 1 April 2025	2,460,956	-	176,133	2,637,089
Total IFRS 16 right of use asset as at 31 March 2025	2,504,836	-	176,133	2,680,969
Rolling stock accumulated depreciation as at 1 April 2024	1,289,209	-	97,320	1,386,529
Total IFRS 16 accumulated depreciation at 1 April 2024	1,314,142	-	97,320	1,411,462
Depreciation charge for the year – rolling stock	373,761	-	19,556	393,317
Total depreciation charge for the year	381,335	-	19,556	400,891
Rolling stock accumulated depreciation as at 1 April 2025	1,607,293	-	116,876	1,724,169
Total IFRS 16 accumulated depreciation as at 31 March 2025	1,639,800	-	116,876	1,756,676

Impact on investments (company only)

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Investment in LNER	6,423	-	17,937	24,360
Total investments	93,471	-	17,937	111,408

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	1 April 2024 (restated)
	£ 000	£ 000	£ 000	£ 000
Investment in LNER	21,825	-	16,452	38,277
Total investments	93,022	-	16,452	109,474

Impact on Trade and other receivables

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Trade receivable – Rail Settlement Plan	118,607	(52,122)	-	66,485
Total trade receivable	212,711	(52,122)	-	160,589
Total trade and other receivables	439,731	(52,122)	-	387,609

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	1 April 2024 (restated)
	£ 000	£ 000	£ 000	£ 000
Trade receivable – Rail Settlement Plan	105,378	(33,670)	-	71,708
Total trade receivable	192,989	(33,670)	-	159,319
Total trade and other receivables	421,883	(33,670)	-	388,213

Impact on Trade and other payables

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Trade payables	214,484	(52,122)	-	162,362
Corporation tax payable	2,416	-	4,207	6,623
Total trade and other payables	731,273	(52,122)	4,207	683,358

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	1 April 2024 (restated)
	£ 000	£ 000	£ 000	£ 000
Trade payables	183,780	(33,670)	-	150,110
Corporation tax payable	681	-	3,712	4,393
Total trade and other payables	713,372	(33,670)	3,712	683,414

Impact on Financial Instruments note

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Financial assets measured at amortised cost – trade receivables	212,711	(52,122)	-	160,589
Total financial assets measured at amortised cost	671,653	(52,122)	-	619,531
Financial liabilities measured at cost – trade payables	214,484	(52,122)	-	162,362
Financial liabilities measured at amortised cost – lease liabilities	900,170	-	37,113	937,283
Total financial liabilities measured at cost*	1,419,377	(52,122)	37,113	1,404,368

*Financial liabilities measured at amortised cost for the year ended 31 March 2025 have been re-stated prior to the adjustment in this note in order to remove current and non-current provisions, the impact of this was to reduce the total amount by £69,983k. The amount for financial liabilities measured at amortised cost as disclosed in the prior year accounts, prior to this restatement, was £1,489,360k.

Impact on Lease liabilities note

	Previously reported	Restatement for RSP debtor/ creditor	Restatement of leases accounted for under IFRS 16	31 March 2025 (restated)
	£ 000	£ 000	£ 000	£ 000
Rolling stock lease liabilities as at 1 April 2024	584,637	-	43,095	627,732
Total lease liabilities as at 1 April 2024	592,481	-	43,095	635,576
Remeasurement of rolling stock lease liabilities for the year ended 31 March 2025	473,661	-	15,693	489,354
Remeasurement of total liabilities for the year ended 31 March 2025	482,545	-	15,693	498,238
Interest charged on rolling stock for the year ended 31 March 2025	49,070	-	(21,675)	27,395
Total interest charge for the year ended 31 March 2025	49,473	-	(21,675)	27,798
Rolling stock lease liabilities as at 31 March 2025	889,023	-	37,113	926,136
Total lease liabilities as at 31 March 2025	900,170	-	37,113	937,283

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978-1-5286-6694-7