

Northern Trains Limited

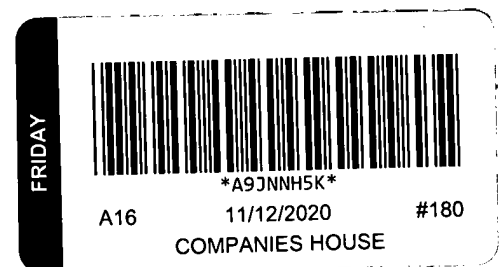
Annual Report and Financial Statements

For the year ended 31 March 2020

Company Registration Number 03076444

Registered office:

Albany House 8th Floor
94-98 Petty France
London
SW1H 9AE
England



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Company information

Company information for the year ended 31 March 2020

Directors

Teresa Broxton
Nicholas Donovan
Robin Gisby
Richard Harrison

Registered Office

Albany House 8th Floor
94-98 Petty France
London
England
SW1H 9AE

Independent Auditors

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

Northern Trains Limited
Annual Report and Financial Statements – Strategic Report
For the year ended 31 March 2020

The Directors in preparing this strategic report for the year ended 31 March 2020, have complied with s414C of the Companies Act 2006. The Company is registered and domiciled in England and Wales and is a 100% subsidiary of DfT OLR Holdings Limited.

PRINCIPAL ACTIVITIES

From 1 March 2020 Northern Trains Limited (NTL) has operated as a publicly owned company through a Services Agreement awarded by the Secretary of State for Transport succeeding Arriva Rail North Limited. The Services Agreement runs to 1 March 2022.

Prior to 1 March 2020 NTL was under the supervision of the Secretary of State for Transport as a dormant entity, nil balances have therefore been included in the comparative financial statements.

The principal activity of the Company is the provision of passenger railway services.

BUSINESS REVIEW AND FUTURE OUTLOOK

The Company is focused on working with the Department for Transport (DfT), Network Rail and other industry partners to deliver our 'Service Promise' every day by operating a robust and resilient railway, transforming the end to end experience for our customers.

During the first thirty-one days of trading our key focus has been on;

- Developing our ambitious prospectus for the future of rail services across the North. Plans that place the customer at the heart of our business are well advanced and will start to be implemented with pace over the coming months.
- Taking a pro-active approach to managing the Covid19 pandemic, providing an environment that is as safe as possible for our employees and customers, whilst operating our key worker timetable. Plans have been developed in line with government guidelines to continue to increase our service levels as non-retail activities open and the economy starts to recover.
- Continuing to invest in improving customers' experience through the introduction of more new and refurbished trains and improvements to stations.
- Progressing the launch of the NTL brand, vision and values.
- Building stronger relationships with our partners and key stakeholders.

The Section 172 Statement confirming directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duties under section 172 can be found in the financial statements of the parent company, DfT OLR Holdings Limited.

COVID-19

As with the rest of the rail industry, the Covid19 pandemic has caused significant and widespread disruption to the Northern Trains Ltd business. From the initial lockdown in March 2020, NTL implemented a vastly reduced timetable (circa 50% of normal service) and stringently followed government guidance on all business operations. Services were initially provided for key workers only and then for essential journeys only until the beginning of July. Patronage on NTL dropped by around 95%, as passengers adhered to the restrictions and legislation. With the relaxation of the lockdown rules in July, passenger numbers are starting to increase – and NTL anticipates this will continue throughout the summer and beyond.

NTL's most significant challenges during the Covid19 pandemic have been the availability of traincrew and the inability to complete essential driver training. Although NTL didn't furlough staff, a significant number found themselves in the medically vulnerable categories and were unable to work. When coupled with the natural attrition of drivers due to retirement and new jobs, this has resulted in around 80% of traincrew being available for July – and we have planned accordingly. Because of the unavailability of staff and training facilities, as well as a requirement to social distance where possible, driver training was paused. There will be a knock-on effect on train crew availability and it's likely to take many months to recover all of the lost training days.

NTL runs a highly complex network and serves an enormous section of the UK – in fact, around one in five of all UK stations is a Northern station. NTL has prioritised running a service for customers that is both resilient and reliable, rather than ramping up services too quickly. It is focusing efforts on the morning and evening peak times, using customer feedback to get essential workers to where they need to be. As NTL continues to recover from the coronavirus crisis, it will be realistic and clear about the services it can offer customers. NTL's priority is running a train service that customers can rely on.

Customers

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

Employee Engagement

At the transfer of the business we completed a successful TUPE process, with over 6,000 employees transferring into NTL. We are committed to having a diverse, inclusive and engaged workforce with access to the right tools and training to perform their roles to the highest standards. Our plans include targeted investment to achieve tangible improvements that will be key to our ambitious plans to improve customers' experience.

Northern Trains Limited
Annual Report and Financial Statements – Strategic Report continued
For the year ended 31 March 2020

Fleet

Under the Services Agreement we are committed to continuing to roll-out new state-of-the-art trains with top speeds of 100mph allowing for extra capacity. New technology is being trialled to identify crowding pinch points to reduce overcrowding.

An overhaul of on-board cleanliness to ensure every journey will be made on a train fit for passengers has commenced, involving a major deep cleaning programme of all trains. A recruitment drive to increase our on-board train presentation staff by 66 new posts is also underway.

Safety

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

Passenger major injuries per 1 million passenger journeys	0.00
Workforce lost time accidents per 1,000 employees	0.31
Employee physical assaults per 1,000 employees	0.79

No employee accidents resulting in a major injury were reported. Employee assaults were at a low level, together with customer accidents, none resulting in any major injuries or RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013).

KEY PERFORMANCE INDICATORS

In addition to monitoring financial performance, we use a range of performance indicators (KPIs) to assess the effectiveness of performance in key activities.

Train Performance

The Public Performance Measure (PPM) is a measure of the punctuality of passenger trains in Britain. It is the primary measure of Operational Train Performance and is the percentage of scheduled trains which successfully run their entire planned route, calling at all timetabled stations, and arrive at their terminating station 'on time' (within ten minutes for long-distance operators). For March 2020, NTL's PPM was 85.14%. Continued improvement of train performance is a key objective for NTL and it is a priority to run a reliable train service for our customers.

Customer Advocacy

Net Promoter Score (NPS) to gauge the loyalty of customers relationships has seen a 12 points improvement in its first period of trading, compared with the last score under the Arriva Rail North Franchise. Such an improvement is a positive step and developing strong relationships with our customers is a priority for NTL.

FINANCIAL REVIEW AND DIVIDENDS

Financial performance

Turnover for the thirty one days ended 31 March 2020 was £74.8m (2019: £nil) which includes ticket revenue earned from passenger services, associated income earned from car parks, and a 'Fixed

Northern Trains Limited
Annual Report and Financial Statements – Strategic Report continued
For the year ended 31 March 2020

service payment' from the DfT, £53.8m. The impact of Covid19 can be seen in the second half of the month, with the 'Key workers' timetable coming into effect and the increase of passenger's refunds.

The operating expenditure reported in the year was £73.7m (2019: £nil), comprising of access charges payable to Network Rail for stations and depots, rolling stock lease costs, staff costs, other operating costs.

Profit before taxation was £0.7m, (2019: £nil) with a total profit after taxation of £0.6m (2019: £nil).

Statement of financial position

At 31 March 2020 the Company had net assets of £34.5m (2019: £nil), including Net liabilities transferred from Arriva North Limited of £11.1m and a corresponding debtor owed from Arriva Rail North Limited to Northern Trains Limited, which was settled in July 2020.

No interim dividends have been declared. (2019: £nil).

GOING CONCERN

Whilst the Directors note that since the onset of Covid19 revenue has declined with restrictions on travel, the Company's profit before interest and tax is in line with expectations. The Directors believe the Company is a going concern for the following reasons.

Our business will continue and is central to the recovery of the country economically and socially. Rail workers are defined as key workers (published by the Government on 19 March 2020) and the Government announced on 23 March 2020, that the rail industry was vital to keeping the country moving in terms of both passengers and freight, "The continued operation of both passenger and freight transport is critically important to our resilience as a country". These statements from the Government underline the importance of the rail industry during the Covid19 pandemic.

NTL is 100% owned by Department for Transport (DfT) OLR Holdings Limited whose ultimate parent undertaking and controlling party is the Secretary of State for Transport and is underwritten by the financial security of the UK government.

The Services Agreement with the DfT runs until 1 March 2022 and includes a 'fixed service payment', similar to a subsidy from the DfT which reflects the revenue and costs in the business. The subsidy is the balancing amount to bring the profit in line with the agreed pre-defined profit margin between both parties.

The Company has a funding agreement with DfT OLR Holdings Limited with a facility of £220m which runs until 1 March 2022. £9.7m was drawn down as at 31 March 2020.

The Directors remain in ongoing dialogue with representatives from the DfT to ensure the Company has sufficient cash to meet its liabilities as they fall due. Accordingly, the financial statements have been prepared on the going concern basis.

PRINCIPAL KEY RISKS AND UNCERTAINTIES

The Company is exposed to a number of potential external and internal risk factors and uncertainties that could have an impact on the Company's performance. Our Audit and Risk committee plays a pivotal role working alongside the Executive Directors to identify and manage these principal risks.

The business is dependent on passenger numbers which in turn are impacted by external risk factors such as Covid19, Brexit, regulatory, economic and competitor activity. Under the terms of the Services Agreement, the Company falls under the regulation of the DfT, and the Office of Rail and Road. Laws and regulations are subject to alteration and amendment and the costs of compliance with new legislation and regulations may have an adverse impact on the Company's financial performance. To mitigate the risk from such changes the Company proactively engages with both Government and industry groups.

The key risks identified by the Board during the year were the long-term impact of Covid19 to customers travel habits, capacity to allow for safe distancing, implementation of new trains and driver training,

Internal risks include failure of internal controls and industrial disputes. The Company operates established formal and robust internal processes to ensure systems and controls are operating effectively, and that the quality and integrity of information provided to it is reliable, enabling Directors to monitor and challenge the performance of the Company, and make informed decisions.

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

By order of the Board



T Broxton

Director

Date 30 July 2020

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

Northern Trains Limited
Annual Report and Financial Statements – Directors' Report
For the year ended 31 March 2020

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

Directors

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

T Broxton	(appointed 20 March 2020)
N Donovan	(appointed 1 March 2020)
R Gisby	(appointed 1 March 2020)
R Harrison	(appointed 1 March 2020)
D Bennett	(resigned 1 March 2020)
H Pattington	(resigned 1 March 2020)
S Smith	(resigned 1 March 2020)
L Talbot	(appointed 6 January 2020, resigned 1 March 2020)

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

Company Secretary

The Company Secretary in office during the year is listed below:

S Cunningham	(resigned 22 April 2020)
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Companies Act 2006 does not require a private company to have a Company Secretary and a replacement for Stephanie Jade Cunningham has yet been appointed.

Charitable and political donations

The Company made no charitable or political donations during the year ended 31 March 2020 (2019: £nil).

Employees

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

Sustainability Reporting

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

Northern Trains Limited
Annual Report and Financial Statements – Directors' Report
For the year ended 31 March 2020

Being a responsible business underpins the Company's values, which includes managing our impact on the environment. We will measure our complete carbon footprint (GHG scope 1-3 emissions) to achieve a year on year reduction; through the reduction in consumption of utilities such as gas-oil (for traction) and gas and where we have spent money in our procurement. The performance for NTL for the period 1-31 March 2020 is summarised below;

	Total	Carbon tCO ₂ e
Total water (m ³)	26,471*	n/a
Total gas kwh	727,656	134
Total non-traction electricity kwh	2,249,926	711
Heating oil (litres)	59,534	164
Traction electricity (EC4T) kwh	10,206,794	5,868
Traction diesel (litres)	3,799,731	7,665
Waste % recycled	70.28%	n/a

*This data includes estimates

We control and manage pollution through a corporate Environmental Management System, certified to ISO14001 which targets our high risk locations and activities. We are aware of the environmental risks posed by both the maintenance and operation of our trains and these sites and activities are regularly audited.

Financial Risk Management

Regular reviews are undertaken of the realisable value of assets and liabilities, and cash flow forecasts are produced to ensure the Company can meet its external liabilities as they fall due.

The Company's credit risk is primarily attributable to its trade debtors. The amount presented in the balance sheet are net of provisions for doubtful debts. Credit risk is managed by cash being held by large high street financial institutions with satisfactory credit ratings. The credit risk on liquid funds is limited because the counterparties are banks. Cash flow risk is managed by cash flow budgeting and forecasting and availability of long-term debt facilities if required.

Financial matters

The results for the year are given in the Income statement on page 16. During the financial year there was no dividend paid to the immediate controlling entity. Under FRS 101 the Company has taken advantage of the several reduced disclosures. Further information is available within the principal accounting policies section.

Indemnification of Directors and Officers

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

Northern Trains Limited
Annual Report and Financial Statements – Directors' Report
For the year ended 31 March 2020

Directors' statement of disclosure of information to auditor

In the case of each Director in office at the date the Directors' Report is approved:

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

Independent Auditors

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

The financial statements on pages 16 to 46 were approved by the Board of Directors on 30 July 2020 and signed on its behalf by



T Broxton
Director

Date 30 July 2020

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

Northern Trains Limited

Annual Report and Financial Statements – Statement of Directors' responsibilities

For the year ended 31 March 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 United Kingdom Accounting Standards, comprising FRS 101, 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 Company will continue in business.

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

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

Report on the audit of the financial statements

Opinion

In our opinion, Northern Trains Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2020; the income statement, the statement of other comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

Independent Auditor's Report to the members of Northern Trains Limited

For the year ended 31 March 2020

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements set out on page 12, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the members of Northern Trains Limited

For the year ended 31 March 2020

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the year ended 31 March 2019, forming the corresponding figures of the financial statements for the year ended 31 March 2020, are unaudited.



Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
31 July 2020

Northern Trains Limited
Income statement
For the year ended 31 March 2020

	Note	2020 £000	2019 £000
Revenue			
Passenger income	2	17,602	-
Other operating income	2	<u>57,239</u>	<u>-</u>
Total Revenue		74,841	-
Other operating costs		<u>(73,657)</u>	<u>-</u>
Operating profit	3	1,184	-
Finance income	6	53	-
Finance expenses	6	<u>(488)</u>	<u>-</u>
Profit before taxation		749	-
Tax on profit	7	<u>(153)</u>	<u>-</u>
Profit for the financial year		<u>596</u>	<u>-</u>

The Company traded for the period 1 March 2020 to 31 March 2020.

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

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

Northern Trains Limited
Statement of Other Comprehensive Income
For the year ended 31 March 2020

		2020	2019
	Note	£000	£000
Profit for the year		596	-
Items that will not be reclassified to profit or loss:			
Actuarial gain on retirement benefit obligations	21	2,738	-
Deferred tax defined benefit pension transferred in	7	<u>(520)</u>	<u>-</u>
Total items that will not be reclassified to profit or loss		2,218	-
Total comprehensive profit for the year		<u>2,814</u>	<u>-</u>

Northern Trains Limited
Statement of Financial Position
As at 31 March 2020

		2020	2019
	Note	£000	£000
ASSETS			
Non-current assets			
Intangible assets	8	342	-
Tangible assets	9	192,018	-
Investments	10	-	-
Retirement benefit asset (net)	21	39,433	-
		<u>231,793</u>	<u>-</u>
Current assets			
Inventories	11	5,580	-
Trade and other receivables: amounts due within one year	12	61,631	-
Cash at bank and in hand		28,930	-
		<u>96,141</u>	<u>-</u>
Total assets		<u>327,934</u>	<u>-</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	(202,697)	-
Non-current liabilities			
Trade and other payables	13	(83,207)	-
Provisions for liabilities	14	(7,502)	-
		<u>(90,709)</u>	<u>-</u>
Total liabilities		<u>(293,406)</u>	<u>-</u>
Net assets		<u>34,528</u>	<u>-</u>
EQUITY			
Ordinary share capital	16	-	-
Capital contribution	17	31,714	-
Retained earnings		2,814	-
Total shareholders' funds		<u>34,528</u>	<u>-</u>

The accompanying notes form an integral part of this statement of financial position. The financial statements on pages 16 to 46 were approved by the board of Directors on 30 July 2020 and were signed on its behalf by;



T Broxton
Director
Date 30 July 2020

Company registration number: 03076444

Northern Trains Limited
Statement of Changes in Equity
For the year ended 31 March 2020

	Ordinary share capital	Capital contribution	Retained earnings	Total shareholder funds
	£000	£000	£000	£000
As at 1 April 2018	-	-	-	-
Profit/(loss) for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2019	-	-	-	-
Profit for the year	-	-	596	596
Other comprehensive income for the year	-	-	2,218	2,218
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive profit for the year	-	-	2,814	2,814
Capital contribution (note 17)	-	39,153	-	39,153
Deferred tax on defined benefit pension transferred in (note 7b)	-	(7,439)	-	(7,439)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2020	<hr/> -	<hr/> 31,714	<hr/> 2,814	<hr/> 34,528

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

1 Accounting policies

The Company is a private limited company limited by shares and registered in England. The address of the Company's registered office is shown on page 3 and a description of the Company's principal activities are set out on page 4.

The principal accounting policies are set out below.

a) Basis of Preparation

The financial statements have been prepared on a going concern basis and in accordance with 'Disclosure Framework' (FRS 101) and Companies Act 2006 (the Act). Amounts in these financial statements are rounded to the nearest thousand pound sterling (£000) unless otherwise indicated.

As noted in the Strategic Report, the going concern basis is deemed appropriate as our business will continue and is central to the recovery of the country economically and socially. Rail workers are defined as key workers (published by the Government on 19 March 2020) and the Government announced on 23 March 2020, that the rail industry was vital to keeping the country moving in terms of both passengers and freight, "The continued operation of both passenger and freight transport is critically important to our resilience as a country". These statements from the Government underline the importance of the rail industry during the Covid19 pandemic and that it is central to the Government's strategy for recovery.

NTL is 100% owned by Department for Transport (DfT) OLR Holdings Limited whose ultimate parent undertaking and controlling party is the Secretary of State for Transport and is underwritten by the financial security of the UK government.

The Services Agreement with the DfT runs until 1 March 2022 and includes a 'fixed service payment', similar to a subsidy from the DfT which reflects the revenue and costs in the business. The subsidy is the balancing amount to bring the profit in line with the agreed pre-defined profit margin between both parties.

Detailed cash forecasts have been prepared and shared with the DfT which demonstrate that the Company has sufficient liquidity to meet its liabilities as they fall due.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101;

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1, Presentation of financial statements
- IAS 7, Statement of Cash Flows
- The requirements of paragraph 17 of IAS 24, Related Party Disclosures
- Paragraph 73(e) of IAS 16, Property, Plant and equipment

1 Accounting policies (continued)

a) *Basis of preparation (continued)*

- Paragraph 118(e) of IAS 38, Intangible Assets
- Paragraphs 91 to 99 of IFRS 13, Fair Value Measurement
- Paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS15 Revenue from Contracts with Customers

b) *Revenue*

Passenger income represents amounts agreed as attributed to Northern Trains Limited by the income allocation systems of the Rail Settlement Plan Limited ("RSP"), mainly in respect of passenger receipts. Income is attributed based principally on models of certain aspects of passengers' travel patterns and, to a lesser extent, from allocations agreed for specific revenue flows. The attributed share of season ticket income can involve some estimation – for example revenue is deferred within creditors, and released to the income statement over the year of the relevant season ticket.

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

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

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 income rather than as an operating cost.

Other operating income is generated in the course of the Company's ordinary activities and is derived from ticket commissions, car park income, station trading income, depot and station access payments and the provision of goods or services to other train operating companies and excludes VAT. Revenue is recognised when a customer obtains control of goods or services and has the ability to direct the use and obtain the benefits from the goods or services. Revenue from services is recognised on the basis of agreed rates and is recognised over time over the period the services are rendered. Commission income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

1 Accounting policies (continued)

b) Revenue (continued)

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

Fixed service payments received from the Department for Transport (DfT) are recognised on an accrual basis for the related income for which the receipt is intended to compensate.

c) Performance incentive payments

Performance incentive payments received from or made to Network Rail by Northern Trains Limited in respect of rail operational performance are recognised in the same period that the performance relates to and are classified as operating costs.

Accrued income is generated from performance payments made to NTL by Network Rail which is then settled in a future period. The income is generated when Network Rail take possession of the track to do maintenance work or due to on the day disruption caused by an entity other than NTL.

d) 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.

e) Deferred tax

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

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

Northern Trains Limited
Notes to the Financial Statements

For the year ended 31 March 2020

1 Accounting policies (continued)

f) Tangible assets

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

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

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

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

g) Intangible assets

Intangible assets 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 over the life of the Services Agreement and is recorded in operating costs in the Income Statement.

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

Intangible assets acquired separately from a business combination are capitalised at cost. Amortisation of intangible assets is calculated on the straight-line method to write-off the cost of each asset over the expected life of the Services Agreement.

Mobilisation costs have been capitalised and amortised over the expected life of the Services Agreement. These comprise rebranding, marketing, recruitment, media, uniform, system and professional services costs.

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020
1 Accounting policies (continued)

h) Right of use assets

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

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

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

After the commencement date the Company 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 practical end of the current service period and are presented as part of tangible assets in note 9. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices. Corresponding lease liabilities are presented and accounted for as current and non-current liabilities in note 20. After the commencement date the Company measures its right of use liabilities by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect new measurements or changes in the lease.

i) Inventories

Inventories are valued at the lower of cost and net realisable value on a weighted average cost basis. Where necessary, provision is made for obsolete, slow moving and defective inventory.

j) Grants

Capital grants are credited to deferred grant income and released as a credit to operating costs in the income statement over the estimated useful economic lives of the related assets.

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020
1 Accounting policies (continued)

k) Retirement benefit obligations

NTL contributes to a defined benefit pension scheme on behalf of the majority of employees. Full details are provided in note 21.

NTL participates in the Railway Pension Scheme, a defined benefit scheme which covers the whole of the UK Rail industry. This is partitioned into sections and NTL is responsible for the funding of the sections during the period of the Services Agreement. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee.

The trustees complete a full actuarial valuation triennially, separately for each section of the RPS, but the obligation is updated annually by independent actuaries using the projected unit credit method for financial reporting purposes.

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

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

The charges in respect of defined contribution schemes are recognised when they are due. The Company has no legal or constructive obligation to pay further contributions into a defined contribution scheme if the fund has insufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

l) Accounting for participation in Railways pension scheme

As disclosed in note 21, NTL applies a "current service period adjustment" to the amounts recorded in the Statement of Financial Position for the RPS. This represents the remaining element of the service operator's 60% share of the IAS 19 deficit or surplus after determining the amount of any deficits NTL is required to fund (or surplus it is entitled to recover) over the remaining service period.

This adjustment can give rise to a net pension asset, representing the expected excess of the income statement expense under IAS 19 for service cost and net interest over the contributions payable over the remainder of the Services Agreement period. The economic benefit of the asset is expected to be realised through the lower cash contributions over the remaining period of the Services Agreement, and therefore upon the expiry of the Services Agreement, there will be no pension asset (or liability) remaining. This judgement is consistent with the industry wide accounting treatment for the RPS that was agreed on adoption of IFRS in 2005.

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

1 Accounting policies (continued)

m) Provisions

Provisions for current obligations and legal claims are recognised when: the Company 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 at the balance sheet date; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

The amount of any provision is re-assessed at each Statement of Financial Position date. Any increase or decrease required to the amount of the provision is charged or credited to the income statement.

n) Investments

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

o) Financial instruments

Financial instruments held by the Company are trade and other receivables, trade and other payables and cash.

Trade receivables are recognised initially at the amount of consideration that is unconditional. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

The 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.

p) Accounting for transfer of assets

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

1 Accounting policies (continued)

q) Critical estimates and judgements

Preparation of the financial statements, in accordance with Financial Reporting Standards ("FRS") 101, 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 Company'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 Company's reporting in general.

I. Pensions – estimate

The determination of NTL's pension benefit obligation and expense for defined benefit pension schemes is dependent on the selection by the Directors of certain assumptions used by actuaries in calculating such amounts. Those assumptions include the discount rate, the annual rate of increase in future salary levels and mortality rates. The Directors' assumptions are based on actual historical experience and external data. While we believe that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the pension obligation and future expense.

The pension assumptions may vary due to actual changes in market conditions following the Statement of Financial Position date but IAS 19 requires the assumptions to be set based on the market conditions prevailing at the Statement of Financial Position date. The pension assumptions are also affected by judgements the Directors are required to make on matters that cannot be directly observed from market prices such as life expectancies, future pay increases, harder to value assets and the criteria for bonds to be included in the population from which the discount rate is determined. Note 21 provides information on the sensitivity of pension benefit obligations to changes in assumptions.

II. NTL term 2 year assumption

An assumption of a 2 year Services Agreement has been used in these financial statements. This is based on the current Services Agreement, which runs to 1 March 2022. This affects these financial statements in respect of mobilisation amortisation, pension accounting, operating leases and reporting for leases under IFRS 16.

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

The application of IFRS 16 requires the Company to make judgements that affect the measurement of right of use assets and lease liabilities (note 20). These include assessing whether a contract includes a lease, determining the contract term and appropriate discount rate used to measure lease liabilities.

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. Longer lease terms have been reassessed to the practical end of the current service period, 1 March 2022, being the period of use for the Company, which is an estimate.

1 Accounting policies (continued)

r) Accounting standards adopted in the year

IFRS16 leases replaced IAS17 leases and eliminates the classification of leases as either operating leases or finance leases and instead, introduces a single lessee accounting model. Applying this model, a lessee is required to recognise assets and liabilities, for all contracts that meet the criteria of the standard with a term of more than twelve months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest.

The asset is depreciated over the term of the lease and the liability is presented and accounted for as a borrowing at amortised cost. This means that operating lease expense, which used to be charged on a straight-line basis over the lease term, is re-presented as depreciation and finance cost. The timing of the charge also changes as, under IFRS 16, it will be frontloaded (as the total finance charge over the life of the lease will be weighted towards the earlier stages of the lease term when the liability is higher).

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

2 Revenue

All revenue originates in the United Kingdom.

The Directors consider that the whole of the activities of the Company constitute a single class of business consisting of passenger and other related operating income as disclosed in the income statement.

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

	2020	2019
	£000	£000
Passenger revenue	17,643	-
Delay Repay	(41)	-
Passenger income	17,602	-
Other operating income	57,239	-
Total revenue	74,841	-

Other operating income comprises of car park income, commercial property income, railway station access income, maintenance income, fuel sales, and commissions receivable and 'Fixed Service payments' from the Secretary of State.

3 Operating profit

	2020	2019
	£000	£000
Operating profit is stated after charging :		
Staff Costs (note 5)	31,594	-
Depreciation (note 9)	8,090	-
Inventories recognised as expenses	2,825	-
Other external charges	11,783	-
Operating lease rentals		
- Fixed railtrack access charges	2,460	-
- Rolling stock costs	4,759	-
- Other	106	-
Other fixed railtrack access charges	9,726	-
Variable Access Charges	2,176	-
Auditors' remuneration – audit fees	125	-
Auditors' remuneration – non audit services		
- other compliance reporting	13	-
	73,657	-

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

4 Directors' remuneration

	2020	2019
	£000	£000
Emoluments in respect of qualifying services to the Company	<u>31</u>	<u>-</u>
	<u>31</u>	<u>-</u>

The emoluments of the highest paid Director is £25,000, relating to the period 1 to 31 March 2020 (annual equivalent £300,000) (2019: £nil). The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £nil (2019: £nil).

None of the non-executive Directors received any remuneration from the Company. Their remuneration is paid by and reported in the Annual Report of NTL's parent company DfT OLR Holdings Limited.

5 Staff costs

	2020	2019
	£000 (31 days trading)	£000
Wages and salaries	24,908	-
Social security costs	2,596	-
Other pension costs	<u>4,090</u>	<u>-</u>
	<u>31,594</u>	<u>-</u>

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

	2020	2019
	Number	Number
Managerial and administrative	497	-
Operational	<u>5,927</u>	<u>-</u>
	<u>6,424</u>	<u>-</u>

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

6 Finance income and expenses

	2020	2019
	£000	£000
	(31 days trading)	
Finance income		
Pension interest income	<u>53</u>	<u>-</u>
Total finance income	<u>53</u>	<u>-</u>
Finance expenses		
Interest payable to group undertakings	(247)	-
Interest expenses relating to leases	<u>(241)</u>	<u>-</u>
Total finance expenses	<u>(488)</u>	<u>-</u>

7 Tax on profit

a) Tax recognised in the income statement

	2020	2019
	£000	£000
Current taxation:		
Current tax on profits for the year	<u>610</u>	<u>-</u>
	<u>610</u>	<u>-</u>
Deferred taxation;		
Current year	<u>(457)</u>	<u>-</u>
Total deferred tax (note 15)	<u>(457)</u>	<u>-</u>
	<u>153</u>	<u>-</u>
Total tax charge reported in the income statement		

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

7 Tax on profit *continued*

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

	2020	2019
	£000	£000
Equity items:		
Deferred tax current year charge *	7,439	-
Other comprehensive income items:		
Deferred tax current year charge	<u>520</u>	<u>-</u>
Tax reported outside of the income statement	<u>7,959</u>	<u>-</u>

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

c) Factors affecting total tax charge for the current period

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

	2020	2019
	£000	£000
Profit before taxation	<u>749</u>	<u>-</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	142	-
Fixed asset differences	<u>11</u>	<u>-</u>
Total tax charge for the year reported in the income statement	<u>153</u>	<u>-</u>

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

8 Intangible assets

	Software costs £000	Mobilisation costs £000	Total £000
Cost			
At beginning of year	-	-	-
Assets transferred in on 1 March on net asset settlement	271	71	342
Disposals	-	-	-
At end of year	271	71	342
Accumulated amortisation			
At beginning of year	-	-	-
Amortisation charged to the income statement	-	-	-
Disposals	-	-	-
At end of year	0	0	0
Net book value			
At beginning of year	-	-	-
At end of year	271	71	342

9 Tangible assets

	Right of Use £000	Plant and equipment £000	Total £000
Cost			
At beginning of year	-	-	-
Assets transferred in on 1 March on net asset settlement	182,617	15,384	198,001
Additions	-	2,107	2,107
Disposals	-	-	-
At end of year	182,617	17,491	200,108
Accumulated depreciation			
At beginning of year	-	-	-
Depreciation charged to the income statement	7,825	265	8,090
Disposals	-	-	-
At end of year	7,825	265	8,090
Net book value			
At beginning of year	-	-	-
At end of year	174,792	17,226	192,018

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

10 Investments

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

Name of company	Country of registration	No. of shares held	Class of share	Proportion held
ATOC Limited	UK	1	Ordinary (4p)	5%
Rail Settlement Plan Limited	UK	1	Ordinary (4p)	5%
Rail Staff Travel Limited	UK	1	Ordinary (4p)	5%
NRES Limited	UK	1	Ordinary (£1)	5%

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 investments are held at cost.

The Company holds an investment of 25.1% of the ordinary share capital in West Yorkshire Ticketing Company Limited which is incorporated in the UK and is owned by a number of operators. The Company coordinates and manages the ticketing scheme by selling and promoting transport tickets on behalf of the West Yorkshire Combined Authority.

11 Inventories

	2020	2019
	£000	£000
Raw materials and consumables	<u>5,580</u>	<u>-</u>

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 £2,825k (2019: £nil).

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

12 Trade and other receivables

	2020	2019
	£000	£000
<i>Amounts falling due within one year:</i>		
Trade receivables		
Rail Settlement Plan	8,011	-
Other trade receivables	1,502	-
	9,513	-
Amounts owed by group undertakings	185	-
Value Added Tax receivable	5,018	-
Prepayments	16,764	-
Accrued income	17,329	-
Other receivables	12,822	-
	61,631	-

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

Other receivables include £11.1m receivable from Arriva Rail North Limited in respect of the net asset settlement on transfer of the assets and liabilities to Northern Trains Limited (see note 19).

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

13 Trade and other payables

	2020	2019
	£000	£000
<i>Amounts falling due within one year:</i>		
Trade payables	32,295	-
Amounts owed to group undertakings	10,358	-
Deferred season ticket income	6,074	-
Other taxation and social security	7,539	-
Other payables	2,692	-
Accruals	48,010	-
Deferred income	3,977	-
Corporation tax payable	610	-
Lease liability (IFRS 16)	91,142	-
	202,697	-
<i>Amounts falling due after more than one year:</i>		
Accruals and deferred income	-	-
Lease Liability (IFRS 16)	83,207	-

Amounts owed to group undertakings within one year and are repayable on demand. Within amounts owed to group undertakings is a loan of £9,747,000 (2019: £nil) from DfT OLR Holdings Limited. This loan attracts interest at 1 year LIBOR +4%. The balance at year end comprises £9.5m capital and £247,000 accrued interest.

Insurance claims during the 31 days trading relates to customer and employee claims against NTL, £0.04m (2019: nil). Since the amount is expected to be due within one year the amount has been presented in other payables.

14 Provisions for liabilities

	2020	2019
	£000	£000
Deferred tax (note 15)	7,502	-

15 Deferred Tax

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

Deferred tax liabilities:

	2020	2019
	£000	£000
Fixed assets	10	-
Defined benefit pension	7,492	-
Deferred tax provision	<u>7,502</u>	<u>-</u>

The movement in deferred tax during the year was:

	2020	2019
	£000	£000
At beginning of year	-	-
Charge to income statement (note 7a)	(457)	-
Charge to equity (note 7b) *	7,439	-
Charge to OCI (note 7b)	520	-
Deferred tax provision	<u>7,502</u>	<u>-</u>

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

16 Called up share capital

	2020	2019
	£	£
Issued share capital unpaid		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

17 Reserves

A reconciliation of the movements in reserves is shown in the Statement of Changes in Equity on page 19.

The balance held in the retained earnings reserve includes the accumulated retained profits of the Company.

The pension surplus (£39.2m) and associated deferred tax liability (£7.4m) transferred in at the transfer date has been treated as a capital contribution within Equity. This is non-distributable for the purpose of future dividends that might be paid.

18 Capital commitments

	2020	2019
	£000	£000
Contracted	<u>13,023</u>	<u>-</u>

Capital commitments at the balance sheet date relate to the ongoing transformation programme, specifically station improvements, depot improvements, gauging, ticket vending machines and facility upgrade projects.

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

19 Transfer of Arriva Rail North Limited assets and liabilities

On 1 March 2020, Arriva Rail North Limited ceased operations and Northern Trains Limited began operating under a Services Agreement with the Department for Transport. The franchise assets and liabilities were transferred. The net cash consideration received by NTL was £11.1m. This was outstanding at the balance sheet date and subsequently settled in July 2020.

The book values of the assets and liabilities were taken from the management accounts of Arriva Rail North Limited at the date of transfer, with certain assets and liabilities that are excluded from the franchise transfer agreement not taken into account.

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

The pension scheme asset calculated at the transfer date was not part of the transfer scheme with Northern Trains Limited. In accordance with the terms of the Service Agreement the obligations of the ex-North West and ex-North East sections of the Railway Pension Scheme transferred to Northern Trains Limited on 1 March 2020.

Leased assets were novated from Arriva Rail North Limited to Northern Trains Limited effective from 1 March 2020 and then became in scope of IFRS 16.

£11.1m consideration in respect of the net liabilities transferred was received by the Company on 1 July 2020.

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

20 Lease liabilities

	Rolling Stock	Land & Buildings	Motor Vehicles	Total
	£000	£000	£000	£000
Lease liabilities				
Initial adoption of IFRS 16 1 April 2019	-	-	-	-
Remeasurement	181,167	666	287	182,120
Interest	240	1	-	241
Repayment of lease liabilities	<u>(7,890)</u>	<u>(110)</u>	<u>(12)</u>	<u>(8,012)</u>
Balance at 31 March 2020	<u>173,517</u>	<u>557</u>	<u>275</u>	<u>174,349</u>
 Current lease liabilities	 90,538	 462	 142	 91,142
Non-current lease liabilities	<u>82,979</u>	<u>95</u>	<u>133</u>	<u>83,207</u>
Total lease liabilities	<u>173,517</u>	<u>557</u>	<u>275</u>	<u>174,349</u>
 Right of use assets				
Initial adoption of IFRS 16 1 April 2019	-	-	-	-
Remeasurement	181,615	715	287	182,617
Depreciation for the year	<u>(7,767)</u>	<u>(46)</u>	<u>(12)</u>	<u>(7,825)</u>
Balance at 31 March 2020	<u>173,848</u>	<u>669</u>	<u>275</u>	<u>174,792</u>
 Lease amounts recognised in operating costs:				
Leases of low value assets	-	-	106	106
Station and depot leases	-	2,460	-	2,460
Rolling stock	<u>4,759</u>	<u>-</u>	<u>-</u>	<u>4,759</u>
Total expense recognised in year	<u>4,759</u>	<u>2,460</u>	<u>106</u>	<u>7,325</u>

Included in rolling stock right of use assets are leases which continue until 2025 but the term for the Company's service period has been used to measure the liabilities, being the period of use of the right of use assets. Maintenance and variable components of the lease are shown in operating costs. The lease costs for short term leases and non-capital elements of rolling stock leases are shown in operating costs under short term leases.

21 Retirement benefit obligations

Information about the Scheme and the Company's accounting policies

NTL operates a final salary pension scheme, which operates on a shared-cost basis and is open to new entrants. The Section is part of the Railways Pension Scheme (RPS), but its assets and liabilities are identified separately from the remainder of the Scheme.

The figures reported below represent only NTL's share of the cost, except that the tables reconciling the Section's Defined Benefit Obligations (DBO) and assets from the start to the end of the year are presented before the deduction of the members' share of the defined benefit cost, or the surplus or deficit. This is for simplicity of presentation and for consistency with the DBO and assets quoted in the table showing the pension scheme liability or asset at the end of the year.

Employer contributions for the period ended 31 March 2020 are expected to be around 13.8% and 12.2% of Section Pay for Category 60 Members and Category 62 Members respectively.

The discounted mean term of the Section's DBO was 24 years based on the preliminary results of the funding valuation of the Section as at 31 December 2016.

The Company is exposed to a number of risks relating to the Section including assumptions not being borne out in practice. The most significant risks are as follows:

- **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. This should be noted in the context of the impact of COVID-19 at 31 March 2020.
- **Change in bond yields:** A decrease in corporate bond yields will increase the value placed on the Section's DBO, although this will be partially offset by an increase in the value of the Section's corporate bond holdings.
- **Inflation risk:** The majority of the Section's DBO is linked to inflation, where higher inflation will lead to a higher value being placed on the DBO. Some of the Section's assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit.
- **Life expectancy:** An increase in life expectancy will lead to an increased value being placed on the Section's DBO. Future mortality rates cannot be predicted with certainty.

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Notes to the Financial Statements
For the year ended 31 March 2020

21 Retirement benefit obligations (continued)

Membership data:

	31 March 2020	31 March 2019
Active members	6,188	-
Deferred members	3,140	-
Pensioner members (including dependants)	3,308	-

Asset Data:

	31 March 2020	01 March 2020
	£000	£000
Growth assets	1,001,232	1,061,660
Government bonds	-	-
Non-Government bonds	-	-
Other assets	16,362	14,310
Total asset value	1,017,594	1,075,970

Summary of assumptions:

	31 March 2020	01 March 2020
	% pa	% pa
Discount rate	2.20	1.60
Future price inflation (RPI measure)	2.50	2.80
Future price inflation (CPI measure)	1.80	2.10
Pension increases (CPI measure)	1.80	2.10
Pensionable salary increases	2.5	2.80

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020
21 Retirement benefit obligations (continued)

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

	31 March 2020	01 March 2020
Male currently aged 65	20.9	-
Male currently aged 45	22.3	-
Female currently aged 65	22.8	-
Female currently aged 45	24.4	-

Defined benefit asset at end of year and at NTL transfer:

	31 March 2020	01 March 2020
	£000	£000
Defined benefit obligation at end of year		
Active members	(1,057,910)	(1,321,060)
Deferred members	(173,435)	(217,229)
Pensioner members (incl. dependants)	<u>(269,604)</u>	<u>(306,130)</u>
Total defined benefit obligation	(1,500,949)	(1,844,419)
Fair value of assets at end of year	1,017,594	1,075,970
Adjustment for the members' share of deficit	193,342	307,381
Deficit expected to be recovered after end of current service period	<u>329,446</u>	<u>500,221</u>
Net defined benefit asset at end of the year	<u>39,433</u>	<u>39,153</u>

Reconciliation of net defined benefit asset:

	31 March 2020
	£000
Transferred net defined benefit asset (pre deferred tax)	39,153
Employer's share of P&L expense	(4,028)
Employers contributions	1,570
Total gain recognised in OCI	<u>2,738</u>
Closing net defined benefit asset	<u>39,433</u>

The corresponding entry of the pension surplus at the transfer date has been posted to equity as a capital contribution.

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

21 Retirement benefit obligations (continued)

Profit & Loss (P&L):

	31 March 2020
	£000
Employer's share of service costs	(4,050)
Employer's share of administration cost	(31)
Past service cost adjustment	<u>0</u>
Total employer's share of service cost	(4,081)
Employer's share of net interest on net defined benefit asset	(614)
Interest on current service period adjustment	<u>667</u>
Employer's share of P&L expense	<u>(4,028)</u>

Other comprehensive income (OCI):

	31 March 2020
	£000
Gain due to liability assumption changes	209,999
Return on plan assets less than discount rate	(35,818)
Loss on change in current service period adjustment	<u>(171,443)</u>
Total gain recognised in the OCI	<u>2,738</u>

Reconciliation of defined benefit obligation (DBO):

	31 March 2020
	£000
Opening defined benefit obligation	(1,844,419)
Service cost	(6,734)
Interest cost on DBO	(2,457)
Gain on DBO – financial assumptions	349,999
Benefit payments	<u>2,662</u>
At end of year	<u>(1,500,949)</u>

Northern Trains Limited
Notes to the Financial Statements
For the year ended 31 March 2020

21 Retirement benefit obligations (continued)

Reconciliation of value of assets:

	31 March 2020 £000
Opening value of section assets	1,075,970
Interest income on assets	1,435
Return on plan assets less than discount rate	(59,697)
Employer's contributions	1,570
Employee contributions	1,030
Actual benefit payments	(2,662)
Administration costs	(52)
Closing value of section assets	1,017,594

DBO sensitivity to significant actuarial assumptions:

	Sensitivity	Approximate change in DBO £000
Discount rate	-0.25% p.a.	+85,615
	+0.25% p.a.	-79,246
Price inflation (CPI measure)*	-0.25% p.a.	-75,639
	+0.25% p.a.	+81,242
Salary increases	-0.25% p.a.	-24,275
	+0.25% p.a.	+25,055
Life expectancy	-1 year	-45,028
	+1 year	+45,028

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

The sensitivity figures are as at 31 March 2020. Note that these scenarios do not represent upper or lower bounds on what could happen. In addition, the sensitivity figures are based on indicative calculations and therefore may not be sufficiently accurate for use in any actuarial calculations whose results are intended for disclosure in the Company's financial statements.

22 Related party disclosures

The Company is a 100% owned subsidiary of DfT OLR Holdings Limited. As at the 31 March 2020, the Company has a receivable of £0.2m (2019: £nil) and a payable of £10.4m (2019: £nil) relating to DfT OLR Holdings Limited. DfT OLR Holdings Limited provided a loan of £57.5m at the commencement of the franchise, including day 1 working capital and mobilisation costs. This loan formed part of the £220m loan facility available to Northern Trains Limited. Following receipt of the first service payment from the Department for Transport on 27 March 2020, £48m of the loan was repaid. The balance owing as at the 31 March 2020 is £9.7m, inclusive of £0.2m accrued interest. Interest is charged on an arms length basis and in accordance with Services Agreement.

Northern Trains Limited operates a passenger rail service franchise under licence under a Services Agreement with the Secretary of State for Transport. Under the Services Agreement Northern Trains Limited is to receive a 'fixed service payment' from the Department for Transport (DfT), which for the 31 days of trading amounted to £53.8m (2019: £nil).

There were no other related party transactions during the year.

23 Ultimate parent undertakings

The Company is a wholly owned subsidiary of DfT OLR Holdings Limited, a company registered in England and Wales (number 07141122). The Company's ultimate parent undertaking and controlling party is the Secretary of State for Transport.

The immediate and ultimate parent undertaking and controlling party of DfT OLR Holdings Limited is the Secretary of State for Transport.

The financial statements of the Secretary of State for Transport can be obtained from Great Minster House, 33 Horseferry Road, London, SW1 P4DR.

24 Post balance sheet events

Net assets and liabilities transferred to Northern Trains Limited from Arriva Rail North Limited on 1 March 2020. After the balance sheet date, the Net Asset Settlement with Arriva Rail North Limited was concluded and a cash payment of £11.1m for the net liabilities transferred was paid by Arriva Rail North Limited to Northern Trains Limited in July 2020.