

# Northern Trains Limited

## Annual Report and Financial Statements

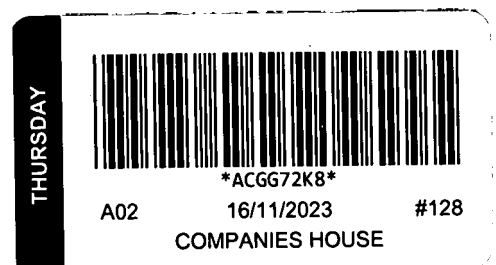
For the year ended 31 March 2022

Company Registration Number 03076444

REVISED

Registered office:

George Stephenson House  
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YO1 6JT  
England



# Northern Trains Limited

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Company information

Company information for the year ended 31 March 2022

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**Registered Office**

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The Directors in preparing this strategic report for the year ended 31 March 2022, 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**

During the year to 31 March 2022 Northern Trains Limited (NTL) has operated as a publicly owned company through a Service Agreement awarded by the Secretary of State for Transport on 1 March 2020 for a period of 2 years. On 24 February 2022, a new Service Agreement was awarded by The Secretary of State for Transport, effective from 1 March 2022. The new Service Agreement runs to 1 March 2025, with an option to extend for up to an additional 2 years at the sole discretion of the Secretary of State for Transport.

The principal activity of the Company is the provision of passenger railway services. Under the Service Agreement, NTL receives subsidy payments to ensure a margin of 1% on total revenue.

## **BUSINESS REVIEW AND FUTURE OUTLOOK**

The Company is focused on working with the Department for Transport (DfT), Rail North Partnership (RNP), 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.

As with the rest of the rail industry, COVID has continued to impact the overall service provision by NTL. Resource led timetables have been implemented across the year using customer insight to best match service levels to demand. We're continuing to see a positive recovery in demand on leisure services, although we still have capacity on many routes and services. Weekends have seen the biggest recovery. The commuter market remains sluggish, at less than a third of what we might have seen before the pandemic, something we're addressing through targeted revenue management and marketing. The Commercial teams meet every week to look at this in detail to reduce the risk of crowding where they can. Thanks to the hard work of all our teams, we're making progress on recovery, although we still have a long way to go.

To give our customers more certainty about their train service, the timetables currently in place will broadly continue until December 2022. For the remainder of the year, services will be reinstated where possible with the intention of a larger uplift in December 2022. These reinstatements will take us more in line with December 2021 service levels although any changes are dependent on several factors. While the headline grabbing elements of the pandemic may have passed, the implications of nearly two years of disruption have not. Our drivers are required to maintain regular route and train knowledge to be able to operate. In 2021/22 we have covered 92 million vehicle miles back and forth across the north of England, compared to 97 million pre-COVID in 2019/20. It is planned to increase to around 100million vehicle miles in 2022/23.

The challenge of instability in our service delivery colleague resourcing in the COVID environment has continued in the year. The Rail Industry Covid Forum (RICF) continued to provide overall industry guidance which focused on safely removing the restrictions that were put in place during the outset of COVID through appropriate mitigation. As a result of the national response to the pandemic, since September 2021 we have been able to engage in near normal training activities which has been necessary to work through the extensive backlog that had built up over the previous 18 months. The majority of traincrew locations have made good progress through their training task with some of our depots in particular progressing to a healthy Driver Link Efficiency level compared to 12 months earlier. Some locations have made slower inroads to the required competence levels due to their complex and significant route & traction work, which the 2022/23 Business Plan aims to address. Furthermore, the work done over the last 12 months in partnership with Alliance Manchester Business School, using systems analysis experts to model our Driver utilisation, has been insightful and will be further developed to support the Business Plan ambitions regarding resourcing. Our focus throughout 2022/23 will be to develop a resilient and dependable resource availability that can deliver the service for our customers.

NTL runs a highly complex network and serves a large section of the UK. Around one in five of all UK stations is an NTL station. Throughout the year, NTL has concentrated on driving revenue recovery through a focus on great value products and the significant improvements in service offer delivered since the onset of the pandemic. With the full fleet of new trains now embedded, all remaining trains refurbished, robust and reliable levels of performance and a large-scale station investment programme, we have been able to offer customers a transformed experience compared to pre-COVID.

We have continued the roll-out of our digital trains upgrade programme to our trains (which includes WiFi, USB charging points, on-train passenger information and CCTV). As at 31 March 2022 £28.1m has been capitalised on the Digital Trains project. We have completed over half of the legacy CI 15x DMU fleet. We have also started upgrading the passenger information systems on the CI 170 and CI 333 fleets. We are using LeadMind as our Remote Condition Monitoring system which is dramatically increasing the real time understanding of our trains performance and enabling more timely maintenance interventions.

Coupled with an expansion of great value fares, a refreshed and personalised approach to marketing, and a revised business approach to placing customers at the heart of our decision making, we have welcomed customers back in increasing numbers and anticipate our industry leading recovery to continue across 2022/23 and beyond.

Since Government restrictions began to ease earlier in the year, and in particular once our commercial interventions started across the summer period, we witnessed Industry leading revenue recovery which peaked at around 90% of pre-COVID before the emergence of the Omicron variant in December. Whilst this resulted in a short period of suppression, with revenue falling to around 60% of pre-COVID levels in early January, since restrictions were again lifted, we have seen a resurgence in recovery. In March 2022, we recorded our first full week of revenue back above pre-COVID levels and we expect this strong performance to continue into the new financial year.

On 17 October 2021 NTL took full responsibility of Neville Hill Depot, adding the part of the site previously operated by East Midlands Railway (EMR) to NTL's existing operations at the depot,

welcoming 239 colleagues from EMR as part of the transfer. Becoming sole operator of the depot has allowed us to develop ambitious plans for this strategically important facility, which will help us deliver more consistent and reliable services, strengthen critical engineering processes and open up future opportunities to develop the depot into a state-of-the-art Train Care Centre contributing to improved network performance and economic regeneration in the region.

An issue with stress fractures at the attachment points of yaw dampers to the train body was identified on 3 April 2021 which saw 33% of the Class 195 and 331 fleet withdrawn from service within 48 hours. We worked with the manufacturer, CAF on the issue through a joint working focus with an interim modification being completed to release the first units affected within relatively short timescales. Further collaboration work followed with a final modification now being planned for implementation during 2022. As a result, the relationship has strengthened between the two teams leading to future improvement plans around reliability and heavy maintenance focussed on improved delivery.

Following the published Williams-Shapps Plan for Rail and the commencement of Great British Rail Transition Team (GBRTT), the DOHL Board continue to engage with DfT and other industry stakeholders to identify how NTL and the DOHL Group can support the progression of the commitments in it, particularly in driving through efficiency savings. It is not expected that there will be a material impact on the financial prospects of NTL in the short or medium term as a result of the plan.

The challenges faced through the pandemic have put a big focus on our cost base and level of subsidy required to operate the essential services across the North. Managing our cost base efficiently and effectively to deliver the service promise to our customers is of prime importance. Our Efficiency Board which includes our executive Directors provides Governance, focus and delivery of targeted efficiencies by:

- Directing the prioritisation of strategic / cross business efficiency activities;
- Reviewing periodic reporting of efficiency and approvals;
- Ensuring collaboration opportunities with Network Rail and other industry partners are identified, collated and progressed;
- Challenging and supporting the business to drive cost efficiency ideas and value for money.

We have recently launched a focussed efficiency programme to drive a cultural shift which includes efficiency and value as part of individual objectives across all teams.

During the year, an extension to the Service Agreement NTL operate under has been signed for three further years to 2025, with the potential for a further two years beyond that. Long term, discussions continue between the private sector Train Operating Companies (TOCs) and the DfT regarding future contractual relationships which have amended terms and bases. How these changes will affect the scope and scale of NTL is currently uncertain and not expected to have any impact in the short to medium term.

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

In March 2020 when DOHL assumed control of Northern, the Secretary of State requested that no stone be left unturned in improving the business and this mandate remains. NTL is central to the Government's levelling up agenda and we know that our operations bring substantial socio-economic value. Returning NTL to that value proposition is a key part of the North's post-COVID social and economic recovery and aligns with our remit to transform the business. It is our vision to Make a positive impact for the North, in all that we do and for all we serve – we want to modernise this business for our people, our customers, our stakeholders, the taxpayer and the North's residents and visitors. We believe NTL can play an important role in supporting delivery of the most pressing national policy agendas including the decarbonisation of transport, as well as supporting economic recovery in the north. Our research has shown that every £1 invested by Government supports £2.50 of economic activity, generates £1.20 of Gross Value Added (GVA) and returns £2.00 of welfare benefit. Whilst the analysis is pre-pandemic it remains a strong indicator of the value of NTL to the economy and society.

Our business plan recognises that we must continuously provide value for money for the taxpayer in delivery of train services by reducing our reliance on subsidy, growing revenue and becoming increasingly cost efficient whilst continuing to invest in the North. By better understanding the value that NTL brings, we will be able to pinpoint the priority areas for investment and the value for money interventions needed to achieve our Vision to make a positive impact for the North.

Our Vision is underpinned by four strategic ambitions:

1. **Customers at the Heart** – Our core mission is all about serving customers who want to be connected. We put customers at the heart, delivering journeys with the highest level of performance.
2. **Valued People** – Our success is critically dependent on our team of colleagues and partners. All frontline colleagues support customers to go do their thing and know that the rest of the business is there to support them.
3. **Operational Excellence** – Delivering a dependable seven-day service for customers that is consistently reliable and punctual, utilising quality trained and multi-skilled people throughout, supported by the integration of technology that enhances training, delivery, information management and decision making.
4. **Sustainable Growth** – Delivering value for both customers and the wider communities we serve. Our cost-efficient operations will be environmentally optimised, contribute to the wider Government levelling up agenda and be overall value generative. We will measure the steps we take on our journey through improvements in the Service Agreement subsidy we receive per passenger mile.

*Ensuring the business is working in the interests of our colleagues*

Valued People is one of NTL's four strategic ambitions. Since moving into public ownership in March 2020, we've embarked on a bold agenda to transform our culture and improve engagement. Against the backdrop of the global pandemic and the rapidly changing rail industry, we know that our People agenda

will take time to deliver transformation. This year has been about building a solid foundation for change and putting the right strategies and processes in place.

#### *Culture and engagement*

Our ambition for culture change at NTL is to develop a truly customer-centric organisation. We want every customer-facing colleague to feel as though the rest of NTL is helping them to 'go do their thing' – so they can do the same for customers.

We deliberately avoided a high-profile "corporate" launch of the values, recognising the enormous amount of change in NTL and the industry. Instead, we've focused on embedding the vision, values and behaviours in everything we do, including talent and recruitment, performance, training and development, and the way we talk to colleagues and each other. We're gradually making the values part of the fabric of NTL.

We've begun empowering leaders to bring the values and business plan to life in a way that is right for their teams, creating a new corporate narrative, case studies and a toolkit to support managers and leaders.

#### *Employee voice*

We introduced a new employee survey platform in 2021, Qualtrics, and we've spent the last 12 months in a test and learn phase. Key learnings included:

- Employee advocacy (likelihood to recommend) is better than employee satisfaction as a measure for engagement, recognising there are multiple factors outside of our control that affect satisfaction.
- As NTL is not yet a digital business, we need to supplement the online survey platform with other forms of listening and find other ways for colleagues to have their say.

Our employee advocacy score in our last survey was 59%, meaning 59% of colleagues were likely or very likely to recommend NTL as a good place to work.

#### *EDI: Building a great place to work, for everyone*

NTL's ambition for Equality, Diversity and Inclusion is to ensure that its workforce represents the communities that it serves and to make NTL a great place to work, for everyone. Although we still have a long way to go, we have done a great deal of work in this area and things are moving in the right direction.

The rail industry is tackling some big challenges in relation to the makeup of its workforce and NTL is no exception to this. The relatively low turnover of employees means that the opportunity to change the make-up of the workforce is small. As an industry we have been traditionally under-representative of women and ethnic minorities for example, and we are working together to improve representation.



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We promote an environment of equal opportunity and respect across the entire business. We recognise our 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 colleagues.

Throughout the year we held the silver Investors in People award status and early in 2022/23 were delighted to have been awarded gold status. NTL is a disability confident employer, and we have been nominated for several awards for our work on EDI.

*Attraction, talent and training*

Our attraction strategy is focused on achieving our diversity targets and promoting NTL as an employer of choice amongst the communities we serve. We achieved our recruitment targets for gender and BAME during 2021/22 and have stretching targets in 2022/23 to sustain this work.

We have heavily invested in learning and development. Our ambition is to lead the industry when it comes to driver training, which includes state-of-the-art driver training simulators alongside classroom and on-the-job learning. There have been more than 2100 drivers and conductors trained since 2016 and there are currently 530 drivers and conductors on the apprenticeship schemes. NTL have introduced Immersive Reality and portable simulation into the training programmes and are further developing that technology to enhance the training experience of colleagues.

In the last 12 months we've launched new training for colleagues to help them recognise Unwanted Sexual Behaviour on trains and at stations, and to make sure they know what to do when they see it. More than 1200 colleagues have already been through this training, with more sessions planned in 2022.

We've also introduced new customer service training to complement our existing learning programme, with a focus on putting customers at the heart of everything we do. The values we developed in 2020 feature strongly throughout all our training, including our corporate induction days for new recruits, ensuring everyone understands not just what they be doing, but the standards of behaviour we expect too.

*Our relationship with suppliers and rail industry partners*

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

Our relationship with Network Rail continues to strengthen as we work collaboratively on timetable changes and industry wide projects. COVID has driven down passenger numbers and fare revenue across the industry, bringing into sharp focus our cost base and the importance of attracting passengers back to the railway. NTL forms part of multiple industry efficiency groups and workstreams which include representatives from train operators and Network Rail working as one team to implement ways to be more efficient while improving service for passengers. The groups complement existing efficiency programmes within organisations across the industry by identifying opportunities that can only be

achieved by cross-industry working. We work in partnership with Network Rail to achieve our vision to deliver a high performing railway and transform rail services for passengers in the North of England. Our vision is delivered through our nine Partnership Development Groups which cover a wide range of business areas such as Performance, Enhancements and Customer experience and that are made up of both NTL and Network Rail colleagues. Our groups work together to scope, agree and deliver joint initiatives which are linked to business priorities and business plan commitments. All agreed initiatives form our 'Joint Common Plan' which provides an overview of the key pieces of work that we have committed to working together on

*Our relationship with customers, stakeholders and business partners*

Over the last year NTL has laid the foundations to become a truly customer centric organisation through:

- An insight led approach to recognising the importance of understanding our customers need through action orientated data and insight
- A service design led approach across our end-to-end target customer journey. Using customer journey mapping tools across the business to design and optimise customer experiences and embed a customer first culture
- A digital first approach, investing in digital capabilities to provide a single view of our customers, proactive personalised information and a modern retail experience

Our stakeholders are vital partners in delivering our vision of having a positive impact on the North. During 2021/22 we have continued to build on a strong foundation of stakeholder engagement. Our proactive and collaborative approach has resulted in highest stakeholder engagement scores in the 2021 survey (a 39% net increase), with both organisation and personal relationships rating highly. As challenges relating to the pandemic have continued, we have provided regular updates, in particular relating to winter storms, resourcing pressures and the more frequent service changes we have seen this year. Stakeholders have been positive about the level of information they have received, and our transparent and collaborative approach, something we are committed to continuing.

To help stakeholders more easily access information about NTL, our operations and future plans, we have launched a dedicated stakeholder "hub" on our website. We have also refreshed our corporate newsletter which now focusses on key themes that are of interest to stakeholders, giving them a deeper insight into NTL and our priorities. We shared our business plan and strategic ambitions with stakeholders at a virtual conference in July, providing a springboard for more focused discussion with individual stakeholders on how we can work together to achieve our mutual objectives.

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

We have a thriving network of community partners, furthering our reach to support communities across the region. In 2021/22 we welcomed new groups and organisations to our station adoption programme and we have a number of potential new Community Rail Partnerships emerging on our network. We

also work closely with charities and third sector organisations across a range of areas including youth and mental health support, rehabilitation from drug and alcohol misuse and support for survivors of domestic abuse. We've also fostered partnerships with wildlife and sustainability charities who support our work and that of our partners.

Through harnessing our collective energies, we engage in a range of schemes and projects which:

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

We continue to provide financial and in-kind support to community rail activity delivering positive social value, which we will begin reporting on in 2022/23. The number of colleagues supporting community activity is growing and through our early careers programme, our young apprentices and year in industry students undertake community projects, working with one of our partners, a unique aspect of our placements.

During the year we were delighted to award £500,000 through our Customer and Communities Improvement Fund to a number of charities and community groups across our network to support over 20 projects, which will deliver a positive social impact, promote good mental health and wellbeing and foster inclusion.

We are signatories to the industry Rough Sleeping Charter and have been involved in a pilot project with Shelter and Network Rail at our Manchester stations to provide a route out of homelessness to individuals sleeping rough in and around the stations. Through the project our colleagues have been given the training and support to understand homelessness and confidence when they are interacting and engaging with people who are rough sleeping. Through the project colleagues can signpost or make referrals to Shelter and outreach engagement works who can provide support needed.

We also have a partnership with the charity Samaritans which enables our passengers to donate their Delay Repay refunds to the charity rather than receiving the payment themselves.

Our Environmental Sustainability Strategy forms part of the wider business Safety, Health, Environment, and Crime (SHEC) Strategy and the Sustainable Development Strategy. The strategy is guided through application of our ISO 14001 and ISO 50001 certified energy and environmental management system, and strengthened through collaborative partnerships with Network Rail, industry groups such as RSSB, our contractors, and colleagues.

NTL is required to fully comply with the requirements of the Task Force on Climate Related Financial Disclosures (TCFD) from year ended 31 March 2024 and is working towards enhanced disclosures each year to ensure compliance. See Directors Report on page 22 for further details around Sustainability.

*Our relationships help us to maintain high standards of business conduct*

Our customers and partners are central to our business success and, through the activities outlined above, we strive to build and maintain a strong brand reputation and grow our business for the long term. NTL issues a Supplier Code of Conduct to its key suppliers outlining how it aspires to manage its long-term supplier relationships. Supplier performance is reviewed and monitored by a Business Lead and procurement specialist. NTL is subject to the Utilities Contract Regulations, contracts over the relevant threshold are advertised in the Official Journal of the EU (OJEU).

## KEY PERFORMANCE INDICATORS

NTL's financial key performance indicators (KPIs) in the year are detailed in the table below :

Financial KPI	Actual (£'000)	Target (£'000)	Variance* (£'000)
Profit before Interest and Tax	13,077	13,045	+32
Cash	46,294	25,375	+20,919
Operating Costs	928,451	959,671	+31,220
Passenger Revenue	250,236	168,266	+81,970
Service Agreement subsidy	632,612	760,564	+127,952
Capital expenditure (Tangible & Intangible)	38,374	75,178	-36,804

*\*Note, a plus(+) symbol in the Variance column represents a favourable variance, a minus(-) represents an adverse variance*

Our main financial performance measure is Service Agreement subsidy per passenger mile, which was £0.51 (2021: £2.23). This represents an improvement of £0.60 against our target for the year of £1.11.

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

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## 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 year ended 31 March 2022 include:

	Year ended 31 March 2022	Year ended 31 March 2021
Passenger major injuries per 1 million passenger journeys	0.33	0.53
Workforce lost time accidents per 1,000 employees	0.75	0.51
Employee physical assaults per 1,000 employees	1.67	1.04

The year ended 31 March 2022 saw 11 (2021: 15) RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) reportable public accidents. For employee accidents there were 41 (2021: 29) RIDDOR reportable employee accidents.

During the reporting year there have been 157 (2021: 80) employees who were physically assaulted, of which 36 (2021: 22) resulted in minor injuries. The cause of employee assaults was broadly an equal split between fare evasion and anti-social behaviour.

The Company's approach to dealing with this risk is twofold, prevention and prosecution. NTL deliver conflict resolution training and awareness to our staff. This is supported by one to one debriefs with peer support and British Transport Police (BTP) on request. We have a clear policy of de-escalating, of not putting yourself at risk, further supported by local initiatives that focus on areas of identified risk in partnership with BTP and other stakeholders including Network Rail and contractors. The importance of staff safety is driven through the governance of the Safety Executive Group. Staff assaults and associated risk remains a standing agenda item on quarterly Joint Safety Committee and periodic Safety Executive Group meetings.

NTL have invested heavily in new technology. Most of the fleet (both new trains and legacy) are now supported by Digital CCTV systems. There is currently a gap analysis being undertaken of the entire CCTV status across all stations and the network with a proposal to ensure the network is fully digitalised over the coming years. Since March 2020 NTL have delivered a pilot of body worn cameras for frontline conductor colleagues via a pool of 240 units. These supplement a further 70 units deployed on gatelines and each of NTLs contracted Travel Safety Officers are individually issued with body worn cameras. NTL are currently evaluating this project and have a plan to make available a further 1,029 units to all frontline staff to support their personal safety. Wherever the opportunity of digital imagery evidence exists NTL have worked with BTP to submit evidence, securely and immediately via the use of BTP's Digital Evidence Management system. All physical assaults are reported to BTP for investigation whilst also investigated internally.

At NTL we recognise that safety of all our staff and passengers is of paramount importance, particularly that of our female colleagues and passengers. Through our work with industry bodies including RDG (Vulnerability Unit) and BTP (Vulnerability Unit) together with associated research we recognise the

particular significance attributed to female safety on the rail network. To understand this issue further we continue to work with many partner agencies for example The Suzy Lamplugh Trust and Survivor's Trust in fashioning NTL's response to the Safety on Rail Scheme (SRS). In addition, NTL is currently supporting a dedicated piece of work focusing specifically on Unwanted Sexual Behaviour (USB) which we know disproportionately impacts women. This will empower our staff to recognise, support and report such unwanted behaviour to make the rail network even safer for the travelling female public and our female colleagues.

### **Employee engagement**

NTL completed two colleague surveys in 2021 (March and October), looking for specific feedback on the issues of the last 12 months, as well as a pulse check of general engagement. The results were encouraging, with positive colleague sentiment on specific topics ranging from 61% to 83%. The survey found 58% and 51% of colleagues in March and October respectively were more satisfied than a year ago with their overall experience at work. Whilst this is not directly comparable with past engagement survey results because of a change in methodology, it signals NTL is taking steps in the right direction. The strongest areas of engagement included understanding our role in supporting customer service, equality, diversity and inclusion, colleague support and approach to safety. The main area for improvement is the perception of how much improvement has been made since the last survey. In response to this, engagement action plans have been established in each region and function to act upon the survey data and make local improvements.

The next colleague survey will be run in November 2022 and a bank of questions has been chosen that will allow us to benchmark ourselves against other TOCs, businesses and industries. This will help inform our overall strengths and areas for improvement.

NTL will continue to monitor engagement, alongside colleague sentiment. NTL's target is to achieve year-on-year improvements in engagement, aiming to reach 75% overall engagement by 2025.

### **Diversity and inclusion**

NTL's total headcount at 31 March 2022 is 6,960 which is an increase of 2.94% compared to the previous year and therefore a contributor to the overall economic recovery off the north of England. These new roles have included 112 traincrew, helping to improve resilience of trains services. At a senior leadership level, two of the seven directors are now women, and we've also recruited four women into executive leadership roles. We are currently ahead of target for both female and ethnicity but the number of applications from women is decreasing so a targeted attraction plan is being established to ensure we continue to achieve our future targets.

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	As at 31 March 2022	As at 31 March 2021	YOY Change
No of Colleagues (Headcount)	6,960	6,759	+201 (2.97%)
Diversity (Ethnicity)	394	320	+74 (+23.13%)
Diversity % (Ethnicity)	5.66%	4.73%	+0.93% (+19.66%)
Diversity (Female)	1,304	1,255	+49 (+3.90%)
Diversity % (Female)	18.74%	18.57%	+0.17% (+0.92%)
Absence* %	2.24%*	2.78%*	-0.54% (-19.42%)

\*Excludes all COVID related absence and thus we anticipate BAU absence levels to return closer to former levels as we move into a post COVID recovery phase in 2022.

### Train Performance

Along with other train operators, NTL measures performance using three primary industry key indicators – 'Time-to-3', 'Time-to-15' and Cancellations. Additionally, we also measure the number of short-formations and the NTL-only generated delays and cancellations. These indicators provide a useful insight of the level of punctuality and reliability for customers at all station stops along any service route.

In 2021/22 our train service performance has had challenges throughout, primarily driven by the ongoing COVID pandemic impact, weather events and latterly some industrial relations issues. For T-3, our basic measure of punctuality of trains arriving at stations within 3 mins of published times, we have achieved an annual average of 87.3% (a 3.75% decrease on 2020/21). For T-15, our measurement of punctuality for trains arriving at stations within 15 minutes of published times, we have achieved an annual average of 98.5% (a 0.5% decrease on 2020/21). Of the 778,000 services we ran in 2021/22 (118,000 more than the previous year), 3.3% were subject to full or part cancellation. Our trains sent into service as short formations stands at 0.17%.

NTL had reinstated services to support increased customer demand, especially the burgeoning leisure market, but we, like the rest of the industry, had to adjust the service to adapt to the fluctuating resource levels. The NHS Test and Trace programme, followed by the emergence of the Omicron variant, both resulted in high levels of staff isolations, impacting resource availability across all our frontline and support services. Seasonal impact also posed complications for our service delivery due to challenges for Network Rail in delivering their railhead treatment programmes and vegetation management plans. Delays in our completion of the wheel-slip protection modifications to our Class 150 and 156 fleets, alongside the persistent poor weather conditions resulted in an overall disappointing autumn performance. A joint review and action plan with Network Rail has been conducted to ensure Autumn 2022 is an improvement on 2021 with lessons learnt and initiatives to improve performance delivery over the longer term as well. NTL led two industry trials in 2021 for railhead adhesion treatment and it has generated an opportunity to extend the number of trains that are supplied with the equipment for subsequent years.

In response to the Omicron variant of COVID, the number of services were reduced in December, which provided stability for the delivery of operations for our customers. However, an industrial relations challenge with the Drivers' Trade Union, ASLEF, resulted in the removal of the rest day working agreement and a period of six weeks where we were in dispute over COVID mitigations and rostering, removing any stability to respond to on-the-day gaps in resource.

Since the year end the RMT, ASLEF and TSSA trade unions have called strikes across the rail industry in Britain. These included the employees of NTL, as well as Network Rail the infrastructure provider and other train operating companies. Regrettably at the date of signing the financial statements, we anticipate further industrial action. We are working to try to resolve this situation for the benefit of our passengers, our employees, and the company and its shareholder.

With the resource-based timetables planned for May and December 2022, alongside our Business Plan ambitions and initiatives, and the continued strengthening of the NTL and Network Rail partnership in performance, there is confidence that we will deliver performance and reliability for our customers, in line with our recently set targets for 2022/23.

### **Customer Advocacy and Satisfaction**

By putting the customers at the heart of everything we have moved to a new way of measuring success, using both Net Promotor Score (NPS) and Customer Satisfaction (CSAT). NPS is a measure of customer advocacy, how likely someone is to recommend us. CSAT allows us to understand how satisfied our customers are across multiple touchpoints. These both deliver key insights that drive our customer focused improvement plans.

During 2021/22, as a result of these new metrics, our customer insights have significantly increased. The insights have enabled us to set targets, measure and further understand the drivers of NPS and CSAT, and in addition, understand our customer pain points. Through putting the customer at the heart, we are using our customer insight to create a culture of continuous improvement with our insights to actions governance programmes empowering our colleagues to drive change and address our customer priorities.

We continue to work with Transport Focus and Industry Partners to develop a suite of tools to measure customer satisfaction as part of our wider Voice of the Customer Strategy. For the Institute of Customer Service bi-annual surveys, we saw the biggest improvement in customer service satisfaction in the rail industry. NTL scored 72.4 out of 100 in January 2022, compared with 68.6 in July 2021 and 62.5 in January 2021. The improvement in score of 9.9 points compares to a 5.2 point rise across the rail industry as a whole.

### **Bringing technology into UK Rail**

NTL has progressed the implementation of its technology strategy to facilitate the attainment of our key business objectives. The Customer Relationship Management system (Salesforce) in use from April 2022 and a Customer and Staff Satisfaction application (Qualtrix), a new Website and Smart Retailing are all now in place. A new Operations Management and Rostering system (IVU) is also in use from April 2022 which allows enhanced planning and recovery from disruption. This is linked with a planned £14m upgrade of station Customer Information Systems over the next 4 years. New hand-held and



desktop devices have been provided to most of our employees. We are exploiting our digital capabilities through provision of conferencing and personal productivity apps and communication media. An enterprise-wide Business Intelligence and Analytics platform (Alteryx and Tableau) has been implemented to support data-driven decision making. Data from the large fleet of digitally enabled trains now flows into the platform along with other data sets from all business functions. We are progressing a £4.7m capital investment programme in upgrading our IT infrastructure and facilities including Networking, Applications platform, Data Storage platform and Cloud Migration. We have implemented enhanced Cyber Security defences and are operating a cyclical Cyber awareness and training programme, along with recruiting a dedicated Cyber Security and Compliance Manager.

### **Working with our suppliers**

NTL complies with the Utilities Contracts Regulations 2016.

NTL issues a Supplier Code of Conduct to its key suppliers outlining how it aspires to manage its long-term supplier relationships and all suppliers are required to agree to these as part of their contract with NTL.

In addition to commercial aspects, NTL is developing Social Value across its supply chain. There is significant proactive cross-functional working to develop an increasingly robust approach to environmental, social and climate matters and utilising our supply chain to develop broader benefit.

Depending on contract value, complexity and risk, contracts are regularly reviewed for performance. We adopt a risk-based approach with our supply base and have identified 'at risk functions' (ARFs), for example, significant direct labour contracts, such as our cleaning and security suppliers, pay at least the National Living Wage to their employees and supply chain. This is specified in the commercial contract and audited on a regular basis.

We additionally conduct regular reviews of the broader risks in the NTL supply chain including supply chain robustness and cost pressures.

## **FINANCIAL REVIEW AND DIVIDENDS**

### **Financial performance**

Turnover for the year ended 31 March 2022 was £941,528,000 (2021: £894,255,000) which reflects ticket income earned from passenger services net of Delay Repay costs, associated income earned from car parks and commission from the sale of tickets on other train operator services, and a Service Agreement subsidy from the DfT of £632,612,000 (2021: £782,004,000).

The operating expenditure reported in the year was £928,451,000 (2021 restated: £854,930,000), comprising of access charges payable to Network Rail for stations and depots, rolling stock lease costs, staff costs and other operating costs. This includes an additional £11m of costs relating to the transfer of the Neville Hill depot from October 2021.

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Profit before taxation was £9,415,000, (2021 restated: £37,242,000) with a total profit after taxation of £7,670,000 (2021 restated: £30,019,000).

At 31 March 2022 the Company had net assets of £27,105,000 (2021 restated : £20,505,000).

The method of Pension accounting applied in the financial statements has changed this year from the previous 'Franchise Adjustment' method to the 'Income Statement Franchise Adjustment' method (see note 1 for details). This amends NTL to be in line with the method that the DOHL group has adopted, and to that which is now adopted by the majority of train operating companies. The new approach is seen as easier for a user of the financial statements to follow and is not sensitive to the key accounting judgement around the duration of the Service Agreement. This has had the impact of reducing the prior year operating expenditure from £884,472,000 to £854,930,000 and therefore increasing the prior year profit before taxation from £8,943,000 (1%) to £37,242,000 (4%) and prior year profit after taxation from £7,106,000 to £30,019,000. The effect on net assets has been a reduction from £138,795,000 to £20,505,000. The DfT service agreement subsidy is calculated to deliver a margin in line with the Company's service agreement. It should be noted that whilst the change in pension accounting policy has resulted in a higher restated profit for the year the directors have received confirmation from the DfT that the policy change in respect of pension accounting will not result in a clawback of DfT service agreement subsidy received in the prior year. The impact of this is that profit before tax excluding DfT service agreement subsidy as a proportion of total revenue for the Company in the prior year is higher than would be calculated under the service agreement. This is as agreed by DfT.

No dividends have been declared (2021: £nil).

#### **GOING CONCERN**

The Directors believe the Company is a going concern for the following reasons:

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 Service Agreement with the DfT runs until 1 March 2025 and includes a service agreement subsidy from the DfT which reflects the revenue and costs in the business. The service agreement subsidy is the balancing amount to bring the profit in line with the agreed pre-defined profit before tax margin between both parties of 1%.

The Company has a funding agreement with DfT OLR Holdings Limited with a facility of £220,000,000 which runs until 1 March 2025. £nil was drawn down as at 31 March 2022 (2021: £nil) as our trading profits were sufficient to cover our cash requirements.

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 several potential external and internal risk factors and uncertainties that could have an impact on the Company's performance and achieving our strategic ambitions. To manage risk, we use an enterprise risk management framework developed using the Government's management of risk guidance which is also aligned to ISO31000. Our Audit and Risk committee plays a pivotal role working alongside the Executive Directors to evaluate the effectiveness of risk management systems, as well as reviewing factors that either threaten our performance or provide an opportunity to improve it.

The risk management framework enables Directors to make strategic decisions based on regular reviews of the risk and control environment, drives improvements to repeating processes such as health and safety requirements and regulatory compliance, and guides the internal audit programme.

External risk factors that impact the business include the continuing changes brought about by COVID and the resulting change in commuter patterns, economic variations and stakeholder expectations, climate change and the geopolitical situation in Eastern Europe. Under the terms of the Service Agreement, the Company falls under the regulation of the DfT whose co-management of the Agreement alongside Transport for the North is generally delegated to RNP, 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, including those in relation to the health and safety of our people and passengers, decarbonisation and the journey to net zero, and delivery of stakeholder expectations, may have an adverse effect on the Company's financial performance. To reduce the impact on the business NTL regularly reviews existing risks and improves mitigating controls in line with external movements, as well as working collaboratively with both government and industry groups.

Internal risks include the failure of business-critical systems, effective availability and use of resources, contract management and industrial disputes. The Company operates established formal and robust internal governance processes and forums to ensure systems and controls are operating effectively and due diligence is carried out. Agile and active risk management processes ensure that following identification and evaluation of a risk, the causes and elimination activity required are documented and necessary mitigations are discussed and implemented with the required actions tracked to ensure accountability and reduce the risk to within desired risk appetites. This enables Directors to monitor and challenge the performance of the Company and make informed decisions.

The Internal Audit function has been in place for over 12 months and has established a good relationship with the business providing assurance to Directors regarding internal processes and systems, based on a risk-based analysis of our operations. The Internal Audit team aim to be at the forefront of strategic and technological developments throughout the business to proactively identify emerging risks and establish a robust system of internal controls.

### **Principal Risks**

The Director Group regularly review the Enterprise Risk Register prior to an assessment by the Audit and Risk Committee to pass judgement on whether the risk register represents a true and fair view of

the risk environment of the business, based on information and assurance provided to them and their own expertise.

Cyber criminality continues to increase, with criminals attempting to exploit human or security vulnerabilities to gain access to passwords, data or misappropriate monies. This has been exacerbated by the escalating conflict in Eastern Europe as the possibility of a cyber-attack increases. To mitigate our exposure to this risk the Company has a dedicated in-house Information Security team in place that works within a cyber assessment framework to ensure compliance with NIS regulations, as well as operating AI technology to autonomously fight back cyber-attacks in real time if necessary. The cyber security team collaborate with all areas of the business to ensure that best practice is followed in respect of information security, adequate training is completed, and systems are continually assessed for weaknesses. Communications are regularly issued to the business to remind everyone of their cyber security responsibilities.

As changes to the economic climate progress the risk of inflation rising above the level forecasted in the business plan is crystallising. This is caused by multiple factors including impacts of Brexit, COVID and the conflict in Eastern Europe, leading to high increases in fuel and energy prices. Increases in supplier costs and their supply chains and availability of resources and replacement transport impacting service delivery. To mitigate this risk, the Company has undertaken in depth sensitivity analysis to energy price rises to provide increased visibility to management, supply chain reviews to ensure compliance with national sanctions and inclusion of the inflation risk in the next year business plan. This risk will continue to be closely monitored and active communication with suppliers and contract managers will enable the company to respond to changes in the risk environment as movement is expected in the short to medium term.

### **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 activities exposed it to a variety of financial risks. Price risk was managed by the Company having a solid understanding of the markets that it operated within and setting appropriate fares for each of these markets. A proportion of its fares are fixed prices which are set annually and are subject to regulatory approval. Credit risk was managed by cash being held by 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 is controlled by the Company ensuring that there is a sufficient mixture of long-term and short-term debt finance to meet planned operations. Cash flow risk is managed by cash flow budgeting and forecasting and availability of long-term debt facilities if required.

### **Risk Appetite and Corporate Culture**

The business is continually looking for ways to improve and this year has focused on more detailed and agile reporting as well as increased accountability to ensure risks are within pre-determined risk appetites as soon as practicable. Our aim is to understand risk causes and focus energies on eliminating

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risks where possible to reduce energy spent on mitigation. To improve understanding across the business we introduced a mandatory risk management training module and now have over 93% of our management population educated on the basics of risk management at NTL.

We have a risk management plan and goals for the coming year so that our risk management approach stays fit for purpose and the best it can be.

On behalf of the Board



M Williams

**Director**

Date 15 August 2022

Registered Office: George Stephenson House, Toft Green, York YO1 6JT

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The Directors present their annual report, business review and the audited financial statements for the year ended 31 March 2022.

**Directors**

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

N Donovan  
R Gisby  
R Harrison  
M Powles  
M Williams  
P Williams

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

**Company Secretary**

The company secretary in office during the year is listed below:

J Henderson (appointed 23 March 2022)

**Charitable and political donations**

The Company made charitable donations of £525 during the year ended 31 March 2022 (2021: £650). The Company made no political donations.

**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.

Employee and stakeholder engagement has been discussed in detail in the Strategic Report.

**Sustainable Development**

NTL's services connect people to essential parts of their lives including access to work, social and health services. With new stations, upgrades, changes to how we power our trains and much more in development we are committed to developing a sustainable, resilient network to serve our communities and our economy in the decade to come and deliver a shift towards a Net Zero Future.

Our vision is 'To make a positive impact for the North in all we do and for all we serve.' This underpins our approach to Sustainable Development, and we will ensure that our activities support the development of the long-

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term vision for NTL. By ensuring that all our Sustainable Development activities work alongside this vision we will develop an embedded process, delivering improvements in all the work we do.

Managing our impact on the environment forms a key part of the Sustainable Development Strategy. NTL has maintained certification to ISO14001 and ISO50001 environmental and energy management system standards. In addition to these independent audits, internal audits and checks are completed to further identify environmental risks and opportunities for improvement.

For the first time this year NTL reports on its overall carbon footprint, measured in CO<sub>2</sub>e emitted per passenger kilometre. The footprint considers traditional metrics in relation to water consumption, non-traction energy use, traction energy use, and waste consumption. NTL has also given increased attention to the emissions from our supply chain (scope 3 emissions) and now understand the 'carbon maturity' of its top 20 suppliers (based on spend) and how these suppliers are addressing their carbon footprints. NTL will continue to collaborate with these suppliers to further understand and address its scope 3 emissions.

NTL has developed its 'Pathway to Net Zero' Decarbonisation strategy, with targeted business plans to support delivery of the strategy to be a priority in 22/23. NTL are also committed to signing up to the Science-Based targets initiative (SBTi) and developing validated science-based targets for carbon emissions. A dedicated NTL employee has been assigned to lead on this commitment.

In setting targets for 2021/22 NTL had to consider the impact of COVID and reviewed its targets quarterly based on COVID recovery.

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Energy & Environment performance for NTL for the year ended 31 March 2022 is summarised below.

	Scope	Total 2021/22*	Carbon tCO <sub>2</sub> e 2021/22*	2021/22	Carbon tCO <sub>2</sub> e 2020/21
<b>Carbon Footprint – Headline KPI</b>				<b>&lt;139gCO<sub>2</sub>e/passenger km</b>	
gCO <sub>2</sub> e/passenger km		99.4		NTL achieved 28% below footprint threshold making performance favourable to target	
<b>Non-Traction Energy</b>				<b>Perform favourable to baseline</b>	
Total gas kwh	1	15,172,205	2,779	NTL achieved a 9% reduction against baseline making performance favourable to target	2,260
Total gas oil kwh	1	5,978,711	1,535		1,865
Total non-traction electricity kwh	2	23,543,666	4,999		6,436
<b>Traction Energy</b>				<b>&lt;128.58g CO<sub>2</sub>e per passenger km</b>	
Traction diesel (ltrs)	1	46,042,953	127,013	NTL achieved a 21/22 figure of 93.02g CO <sub>2</sub> e/passenger km making performance favourable to target	130,729
Traction electricity (EC4T) kwh	2	101,582,633	21,569		36,597
<b>Water Consumption</b>				<b>Perform favourable to baseline</b>	
Total Water (m3)	3	206,494	217	NTL achieved a 23.1% reduction against baseline making performance favourable to target	267
<b>Waste Elimination</b>				<b>Recycling rate &gt;73.6%</b>	
Waste % Recycled	3	69.58%	151	NTL achieved a recycling rate of 69.6% making performance adverse to target	175
<b>Total tCO<sub>2</sub>e</b>			<b>158,263</b>		<b>178,329</b>

\*All figures contain estimates. These should not materially impact performance v. target. Full dataset will be verified by an independent auditor when actual figures received.



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NTL's headline Carbon Footprint KPI was favourably impacted by higher than forecast passenger numbers, however these numbers still fall short of pre-pandemic levels, when NTL's overall carbon footprint would have been less. Whilst energy & environmental performance continued to be impacted by the COVID pandemic in 21/22 several initiatives were delivered to assist in improving performance. Both water consumption and non-traction energy performance were favourable to target by 23.1% and 9% respectively.

We saw a reduction of over 21% in water consumption when compared with the previous year resulting in a saving of over £100,000. To help achieve this NTL continued its programme of identifying and rectifying leaks across its network. In addition, we continued the water logger installation programme which lets us identify consumption issues as and when they happen and subsequently address these issues in a timely manner, saving both water and money. All NTL water consuming sites shall benefit from a water logger in 2022/23.

Whilst non-traction energy was favourable to target, 2021/22 saw an increase in actual non-traction energy use. This can be attributed to a number of factors including a new shed becoming operational at Newton Heath engineering depot and the installation of Amazon lockers at various NTL locations. However, the biggest impact was the Depot Facility Owner (DFO) transfer of Neville Hill engineering depot to NTL from October 2021. This added approximately 6 million kWh to NTL non-traction energy consumption in 2021/22. NTL will continue to use its meter and sub-meter information to identify high consuming areas and proactively focus initiatives on these areas to reduce energy consumption.

The percentage of waste recycled by NTL in the year was 69.6% against a target of 73.6%. NTL has further standardised its approach to waste management across its engineering depots. Coupled with strong staff engagement this standardisation has made it easier for waste segregation on depots and reduced the amount of contaminated waste streams, leading to an increase in depot recycling rates. Customer waste brings recycling rates down with the COVID recover increase in passenger numbers adversely impacting customer recycling rates. Attention in 2022/23 will focus on customer waste.

The business has several key initiatives which aim to ensure that our environmental impact risk is minimised and reduced and that our performance in relation to emissions and resource efficiency improves. These include:

- Decarbonisation – development of strategy and delivery of plans to support NTL's 'Pathway to NetZero', including alignment with the Science-Based Targets initiative (SBTi).
- Air Quality – working with the RSSB we will establish air quality baselines and develop and commence delivery, where required, air quality improvement plans at 'hot-spot' locations.
- Pollution Prevention – ongoing project focusing on our Engineering depot locations. We will fully ascertain the integrity of assets and put in place plans to ensure pollution risk is adequately controlled.
- Waste –
  - innovative bin sensor project aimed at gaining more accurate waste data and improving NTL recycling waste, particularly at stations
  - customer facing recycling project to improve the amount of paper waste recycled by NTL customers

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- Planet Saving Rules – underpinning our approach will be a cultural piece for NTL employees which provides them with the practical knowledge they need and can use to assist NTL with its energy and environment goals.

**Corporate Governance Statement**

NTL does not adopt a formal Code of Governance as the parent company, DfT OLR Holdings Limited has an internally generated Governance code which covers all the main areas of governance appropriate to an entity of NTL's size and purpose. In the year, NTL has adopted a voluntary, publicly available Annual Governance Statement which sets out NTL's core governance processes, controls, areas of strength and of development.

NTL is a subsidiary of DfT OLR Holdings Limited having joined the group in March 2020. NTL is governed by the NTL Board which is chaired by a Non-Executive Director and DOHL Director, and comprises four NTL Executive Directors, one other Non-Executive Director and DOHL Director and is attended by the remainder of the NTL Executive Team.

The Board is accountable for the overall leadership of the organisation, setting the Company's strategy, values and standards, ensuring accountability and shaping the culture of the organisation. The Board has delegated authority to three board committees to discharge its duties effectively and these Committees escalate items to the Board where Board decision making, and direction is required.

The Board defines the direction of NTL, setting policy and strategy regarding future development and provides oversight and challenge of the day-to-day operation of NTL, ensuring adequate systems and processes are maintained to measure and monitor NTL's effectiveness, efficiency, and economy as well as the quality of its safety, service delivery and governance arrangements.

The Board met 12 times during the financial year, approximately once every 4 weeks. As standard periodic meeting items, the Board discussed safety performance, the company's performance against its Key Performance Indicators, customer advocacy scores and feedback, company values and risk management.

The three Board sub-committees and their duties are as follows:

**Audit and Risk Committee** – the committee oversees the adequacy and effective operation of the organisation's overall governance and internal control system, including Risk Management, Financial, Operational and Compliance controls. The committee also reviews and reports on these along with the related assurances that underpin the delivery of the organisation's objectives.

**Remuneration Committee** – The committee carries out a strategic review of NTL staff including considerations such as companywide pay awards, pension contributions, bonus payments, and review of significant outputs from the Remuneration Panel.

**Safety, Health, Environment and Crime Committee** – the committee reviews the strategy and operation of safety policy, health, environment and crime.

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The Board reviews the Corporate Risk register every 4 weeks drawing on recommendations from the Audit and Risk Committee as well as internal cross functional steering groups.

The Board fully promote our vision and values which were defined by our people for our people. These underpin everything we do as a business and are the pillars on which all our activities are built including personal objective setting and individual development plans.

Board members are drawn from a mix of backgrounds, skills, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution and there is a mix of males and females within the Executive Leadership team to support the Directors.

Clear Terms of Reference are in place for all our Boards with appropriate non-executive representation on each Board to provide relevant independent challenge. Governance arrangements are clearly defined with delegated authorities in place for individual directors to be accountable for directorate decision making. Strategic papers are submitted to Board where approval is required at higher levels of delegated authority.

The Board actively seek long term sustainable success for the Company and promote opportunities where NTL can lead the way, whether by innovating and bringing new technology into the railway or promoting investment in the North.

Clear and defined risk management arrangements are in place and considered at each Audit and Risk Committee with reporting to the NTL Board. Our risk management framework is in place to respond to events that impact the company, mobilising resources to put in recovery plans, most recently seen during the COVID pandemic.

NTL Directors ensure that the business engages closely with a wide range of stakeholders in order to ensure our strategy and priorities are focused on delivering for our colleagues and the towns and cities of the North. We have a dedicated team which creates engagement opportunities with media, political, local authority, user groups and business representatives, sharing regular updates, and responding to enquires.

Our community team fosters relationships with charitable projects and initiatives to respond to the social challenges that we can most effect, as well as to improve the businesses long term sustainability by working to improve diversity and inclusion, and to identify, nurture and recruit talent from hard-to-reach groups. We leverage a wide range of insight to listen to our customers and shape our approach to customer experience according to the improvements they most want to see.

Finally, our internal communication channels provide a multi-directional link between our Directors, Executive Leadership Team, managers and the wider business with regular essential updates, opportunities for colleagues to share their views and celebrate achievements and events. In the year, we have shared our Business Plan and Vision, Values and Behaviours with all our colleagues. This has set out both what we want to achieve in the business strategy and how we want to achieve it.

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**Financial matters**

The results for the year are given in the Income statement on page 33. 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.

**Directors' statement of disclosure of information to auditors**

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 33 to 68 were approved by the Board of Directors on 15 August 2022 and signed on its behalf by



M Williams

**Director**

Date 15 August 2022

Registered Office: George Stephenson House, Toft Green, York YO1 6JT

Northern Trains Limited

Annual Report and Financial Statements – Statement of Directors' responsibilities in respect of the financial statements

For the year ended 31 March 2022

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the 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, 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.



M Williams

**Director**

Date 15 August 2022

# Independent auditors' report to the members of Northern Trains Limited

## 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 2022 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 2022; the Income statement, the Statement of Comprehensive Income and 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

### Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- reviewing management forecasts, including key assumptions, for the period to 1 March 2025;
- reviewing the service agreement confirming the committed and contracted support provided by the DfT to 1 March 2025;
- confirming our understanding of the Railways Act 1993 and the obligation for the entity to operate the passenger rail service; and
- review of the funding deed available to the parent company and the ability for the company to access this funding.

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

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

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

For the year ended 31 March 2022

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

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

## Reporting on other information

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

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

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

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

## Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2022 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, 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Railways Act 1993, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such

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

For the year ended 31 March 2022

as the Companies Act 2006, employment and tax legislations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve the financial results and management bias in significant judgements and accounting estimates. Audit procedures performed by the engagement team included:

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

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

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

## Use of this report

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

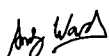
## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Andy Ward (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

15 August 2022



Northern Trains Limited  
Income statement  
For the year ended 31 March 2022

	Note	2022 £000	2021 £000 Restated
<b>Revenue</b>			
Passenger revenue	2	250,236	75,415
Other revenue	2	<u>691,292</u>	<u>818,840</u>
<b>Total Revenue</b>		<b>941,528</b>	<b>894,255</b>
Other operating costs		<u>(928,451)</u>	<u>(854,930)</u>
<b>Operating profit</b>	3	<b>13,077</b>	<b>39,325</b>
Finance income	6	10	-
Finance expenses	6	<u>(3,672)</u>	<u>(2,083)</u>
<b>Profit before taxation</b>		<b>9,415</b>	<b>37,242</b>
Tax on profit	7	<u>(1,745)</u>	<u>(7,223)</u>
<b>Profit for the financial year</b>		<b><u>7,670</u></b>	<b><u>30,019</u></b>

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.

Comparative figures have been restated to reflect the change in accounting policy for retirement benefits (see note 1 for further details).

Northern Trains Limited  
Statement of Comprehensive Income  
For the year ended 31 March 2022

		<b>2022</b>	2021
	Note	<b>£000</b>	£000
			Restated
<b>Profit for the year</b>		<b>7,670</b>	30,019
<b>Other comprehensive expense</b>			
Items that will not be reclassified to profit or loss:			
Actuarial loss on retirement benefit obligations	19	<b>(1,784)</b>	(6,873)
Tax on defined benefit pension	7	<b>714</b>	1,305
<b>Total items that will not be reclassified to profit or loss</b>		<b>(1,070)</b>	(5,568)
<b>Total comprehensive income for the year</b>		<b>6,600</b>	24,451

Northern Trains Limited  
Statement of Financial Position  
As at 31 March 2022

	Note	2022 £000	2021 £000 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8	2,832	369
Tangible assets	9	372,234	338,984
Deferred tax asset	14	2,439	1,959
		<u>377,505</u>	<u>341,312</u>
<b>Current assets</b>			
Inventories	11	6,744	6,119
Trade and other receivables: amounts due within one year	12	76,650	42,792
Cash at bank and in hand		46,294	63,873
		<u>129,688</u>	<u>112,784</u>
<b>Total assets</b>		<u>507,193</u>	<u>454,096</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	(158,288)	(130,135)
Lease liabilities	18	(102,299)	(96,354)
		<u>(260,587)</u>	<u>(226,489)</u>
<b>Non-current liabilities</b>			
Trade and other payables	13	(17,226)	(8,957)
Lease liabilities	18	(193,809)	(187,086)
Retirement benefit liability (net)	19	(8,466)	(11,059)
		<u>(219,501)</u>	<u>(207,102)</u>
<b>Total liabilities</b>		<u>(480,088)</u>	<u>(433,591)</u>
<b>Net assets</b>		<u>27,105</u>	<u>20,505</u>
<b>EQUITY</b>			
Ordinary share capital	15	-	-
Retained earnings	16	27,105	20,505
<b>Total shareholders' funds</b>		<u>27,105</u>	<u>20,505</u>

The accompanying notes form an integral part of this statement of financial position. The financial statements on pages 33 to 68 were approved by the board of Directors on 15 August 2022 and were signed on its behalf by:

  
M Williams

Director

Date 15 August 2022

Company Registration Number: 03076444

Northern Trains Limited  
Statement of Changes in Equity  
For the year ended 31 March 2022

	Called up share capital	Capital contribution	Retained earnings (restated)	Total shareholders' (deficit)/funds
	£000	£000	£000	£000
<b>As at 1 April 2020 (previously reported)</b>		<b>31,714</b>	<b>2,814</b>	<b>34,528</b>
<b>Restatement of opening equity</b>		<b>(31,714)</b>	<b>(6,760)</b>	<b>(38,474)</b>
<b>As at 1 April 2020 (restated)</b>	-	-	<b>(3,946)</b>	<b>(3,946)</b>
Profit for the year (restated)	-	-	30,019	30,019
Other comprehensive expense for the year (restated)	-	-	(5,568)	(5,568)
<b>Total comprehensive income for the year (restated)</b>	-	-	<b>24,451</b>	<b>24,451</b>
<b>As at 31 March 2021 (restated)</b>	-	-	<b>20,505</b>	<b>20,505</b>
<b>As at 1 April 2021</b>	-	-	<b>20,505</b>	<b>20,505</b>
Profit for the year	-	-	7,670	7,670
Other comprehensive expense for the year	-	-	(1,070)	(1,070)
<b>Total comprehensive income for the year</b>	-	-	<b>6,600</b>	<b>6,600</b>
<b>As at 31 March 2022</b>	-	-	<b>27,105</b>	<b>27,105</b>

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022

**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, under the historic cost convention and in accordance with United Kingdom Accounting Standards, in particular Financial Reporting Standard 101 'Reduced 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.

Accounting policies have been applied consistently, with the exception of accounting for retirement benefits, as noted under the retirement benefit obligations accounting policy section on page 43.

As noted in the Strategic Report, the going concern basis is deemed appropriate for the following reasons :

The Directors believe the Company is a going concern for the following reasons:

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 Service Agreement with the DfT runs until 1 March 2025 and includes a service agreement subsidy from the DfT which reflects the revenue and costs in the business. The service agreement subsidy is the balancing amount to bring the profit in line with the agreed pre-defined profit before tax margin between both parties of 1%.

The Company has a funding agreement with DfT OLR Holdings Limited with a facility of £220,000,000 which runs until 1 March 2025. £nil was drawn down as at 31 March 2022 (2021: £nil) as our trading profits were sufficient to cover our cash requirements.

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.

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 through continued support from the DfT.

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

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022

**1 Accounting policies (continued)**

*a) Basis of preparation (continued)*

- 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
- 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
- The requirements of paragraphs 40A, 40B, 40C and 40D of IAS 1 Presentation of Financial Statements.

*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. Revenue is only recognised when it is highly probable that a significant reversal will not occur.

Delay Repay customer compensation, which is compensation paid to customers who have experienced a delay of more than 15 minutes on their journey, is treated as a reduction in passenger income.

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022  
**1 Accounting policies (continued)**

*b) Revenue (continued)*

Other revenue 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.

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 revenue is reported through the income allocation system detail.

Under the Service Agreement, NTL is subject to fixed payments in the form of a franchise premium paid to, or service agreement subsidy received from, the Department for Transport. Under the terms of the Service Agreement the company is entitled to earn a pre-defined margin, and the service agreement subsidy or franchise premium calculated so as to deliver this margin.

It is calculated with direct reference to profits for each annual accounting period, and there is no clawback mechanism for payments received, or linkage between calculations from one annual period to the next. As such, the unit of account is deemed to be each annual reporting period, and amounts paid or received in each annual period are recognised as income or costs within that period in full. In annual periods where a subsidy payment is received from the Department for Transport this is considered to be a government grant and is therefore accounted for as such. As the grant is considered to be to compensate for lost revenues, this is presented within the revenue section on the income statement to most closely show the substance of the arrangement, however it is not IFRS 15 revenue from a contract with a customer. In annual periods where a franchise premium payment is made to the Department for Transport this is considered to be an operating levy, and the payments are therefore presented within operating costs but shown as a separate line on the face of the income statement to assist with understanding of the impact of these amounts on the financial performance of the entity.

*c) Performance incentive payments*

The Company 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 variable and other fixed access charges as shown in the operating profit 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 received from Network Rail by the Company 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 variable and other fixed access charges for planned or unplanned disruption on the line and can be either reimbursement of or further payments for overall track

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022

**1 Accounting policies (continued)**

*c) Performance incentive payments (continued)*

access costs. Management's judgement is that the treatment of net presentation within operating costs is appropriate as the substance of the performance incentive payments is that they are part of the variable pricing mechanism for the overall track access charges being expensed through operating costs for the year.

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

*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.

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.

*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.

*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 predominantly relates to train digitisation and depot and station improvement works and 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.



Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022  
**1 Accounting policies (continued)**

*g) Intangible assets*

Intangible assets are shown at their original 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 Service 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 fair value less costs to sell and value in use. Where an impairment event is identified, detailed discounted cashflow forecasts are prepared to assess the value in use and whether an impairment exists.

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

Software costs relating to the development of the Northern App, website and interface with Trainline have been capitalised and amortised over the expected life of the Service Agreement.

*h) Right of use assets and lease liabilities*

Right of use assets comprise rolling stock, offices and other property leases plus depot equipment and motor vehicles. 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 the 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.

Corresponding lease liabilities are presented and accounted for as current and non-current liabilities in note 18. 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 Company will use the incremental borrowing rate. After the commencement date the Company measures its lease liabilities by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022  
**1 Accounting policies (continued)**

*h) Right of use assets and lease liabilities (continued)*

the lease payments made and remeasuring the carrying amount to reflect new measurements or changes in the lease. The discount rate used is reassessed at the point of remeasurement.

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.

Variable and fixed track access payments are deemed outside the scope of IFRS 16. Access to the track is not exclusive and NTL 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 company has assessed the rolling stock arrangements and determined the service and maintenance elements represent a non-lease component. This is on the basis that NTL 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 Income Statement.

The Company 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.

The lease liabilities and right of use assets are impacted by the extension of the Service Agreement – see the critical judgment note on page 45 for further details.

*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 2022  
**1 Accounting policies (continued)**

*k) Retirement benefit obligations*

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

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

The method by which the pension accounting reflects the franchising arrangement has changed this year from the previous Franchise Adjustment Method to the Income Statement Franchise Adjustment Method (as defined below). This has been prompted by a review by the DOHL Group of TOC pension accounting arrangements following the addition of Southeastern Trains to DOHL Group during the year. This amends the accounting policy in the Company to be in line with the method which is now adopted by an increasing number of train operating companies. The new approach is seen as more relevant and reliable for a user of the financial statements as it is not sensitive to the key accounting judgement around the duration of the Service Agreement whereas the previous policy was. The comparative year's presented are restated for this change in accounting policy, further details on the impact to the financial statements can be found in note 19.

**Income Statement Franchise Adjustment Method (newly adopted policy)**

The accounting treatment for the terms of the Company'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' current or expected future deficits outside the franchise period. This reflects the legal position that some of the existing deficit and some of the service costs in the current year will be funded in future years beyond the term of the current franchise and committed contributions.

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

## **1 Accounting policies (continued)**

### *k) Retirement benefit obligations (continued)*

#### **Franchise Adjustment Method (previous policy)**

The Company previously applied a "current service period adjustment" to the amounts recorded in the Statement of Financial Position for the RPS. This represented the remaining element of the service operator's 60% share of the IAS 19 deficit or surplus after determining the amount of any deficits the subsidiaries are required to fund (or surplus it is entitled to recover) over the remaining service period.

This adjustment gave rise to a net pension asset, representing the expected excess of the income statement expense under IAS 19 for service cost and net interest over the contributions payable over the remainder of the Service Agreement. The economic benefit of the asset was expected to be realised through the lower cash contributions over the remaining period of the Service Agreement, and therefore upon the expiry of the service period, there would be no pension asset (or liability) remaining.

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

The net pension scheme asset calculated at the date the Franchise Sections were transferred to NTL was shown as a capital contribution directly in the statement of changes in equity as the pensions were transferred as part of their Service Agreement with the DfT. The DfT is a related party and the transfer of the scheme was therefore accounted for as a capital contribution in equity.

#### **Under both policies described above**

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

### *l) 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.

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022  
**1 Accounting policies (continued)**

*l) Provisions (continued)*

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

A dilapidations provision held in relation to legacy rolling stock is based on expected costs of restoring the leased assets to the required state before being returned to the lessor.

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

*m) Investments*

Unlisted equity investments are carried in the Statement of Financial Position at fair value and any changes in fair value are recognised in the Income Statement. Investments in associates are held at cost. Investments in associates are subject to an impairment review if events or changes in circumstances indicate that their carrying value may not be recoverable.

*n) Financial instruments*

Financial instruments held by the company are trade and certain other receivables, amounts owed from group undertakings, trade and certain other payables, amounts owed to group undertakings and cash.

Financial instruments are initially measured at fair value and 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.

*o) 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.

## 1 Accounting policies (continued)

### *o) Critical estimates and judgements (continued)*

#### *I. Pensions – estimate*

The determination of the Company's 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 judgments the Directors are required to make on matters that cannot be directly observed from market prices such as life expectancies, future pay increases, harder to value assets and the criteria for bonds to be included in the population from which the discount rate is determined. Note 19 provides information on the sensitivity of pension benefit obligations to changes in assumptions however there is no impact to assets or liabilities.

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 balance and reduces any service costs that would give rise to an increase in such deficit through the use of the income statement franchise adjustment as described in the accounting policies note. This reflects the extent to which third parties are expected to contribute towards the cost of the plan as a consequence of the deficit transferring at the end of the franchise.

#### *II. NTL service period assumption – judgement*

An assumption of an end date for the Service Agreement of March 2024 was used in the comparative period financial statements. This was based on expectation that an extension of the original Service Agreement for a fixed period of 2 years running from the end of the original Service Agreement to 1 March 2024 would be granted.

On 24 February 2022, a new Service Agreement was awarded by The Secretary of State for Transport, effective from 1 March 2022. The new Service Agreement runs to 1 March 2025, with an option to extend for up to an additional 2 years at the sole discretion of the Secretary of State for Transport. This affects these financial statements in respect of intangible amortisation, pension accounting, reporting for leases under IFRS 16 and going concern as follows:

## 1 Accounting policies (continued)

### *o) Critical estimates and judgements (continued)*

#### *II. NTL service period assumption – judgement (continued)*

- IFRS 16 Right of use asset and lease liability – At inception of the lease management assesses the lease term. In this assessment management considers options for extension associated with the lease and includes these in the lease term if they are reasonably certain they will be exercised. This judgment over whether extension options will be exercised impacts the lease liabilities and right of use assets recognised on the balance sheet at inception of the lease. The impact of the extended services period was to increase the expected period that NTL would have the leases from 1 March 2024 to 1 March 2025. The change in judgement leads to a remeasurement adjustment of £103,965,000 for both the right of use asset (see note 9) and lease liability (see note 18), rather than as a lease modification due to the fact that the extension option was conveyed by the original contract terms and is now deemed to be reasonably certain to be taken out to 1 March 2025. Under this approach the incremental borrowing rate is reassessed at the point of the remeasurement, which was 22 February 2022.
- Going concern - The Service Agreement with the DfT includes a subsidy which ensures NTL earns a margin of 1% at Profit before tax on total revenue. The signing of a new service agreement with a service agreement extension to 2025 provides the company with certainty and stability over its operations.

## 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 revenue as disclosed in the income statement.

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

	2022	2021
	£000	£000
Passenger revenue	250,937	75,563
Delay Repay	(701)	(148)
Passenger revenue	250,236	75,415
Service agreement subsidy	632,612	782,004
Other revenue	58,680	36,836
<b>Total revenue</b>	<b>941,528</b>	<b>894,255</b>

Other revenue comprises of car park revenue, commercial property revenue, railway station access revenue, maintenance revenue, fuel sales, and commissions receivable.

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022

**3 Operating profit**

	2022	2021
		Restated
	£000	£000
Operating profit is stated after charging:		
Staff Costs (note 5)	360,441	338,889
Other external charges	136,321	99,546
Depreciation (note 9)	112,946	105,663
Other fixed access charges	111,331	108,947
Rolling stock maintenance costs	61,374	71,788
Inventories recognised as expenses	45,375	32,710
Fixed depot and station access charges	30,830	30,087
Performance regime costs	19,640	13,871
Variable access charges	19,321	23,614
Spares supply agreement	16,134	15,138
British Transport Police charges	14,011	13,440
Lease items excluded from IFRS 16 (note 18)	316	835
Auditors' remuneration – audit fees	216	188
Amortisation (note 8)	195	214
	<u>928,451</u>	<u>854,930</u>

**4 Directors' remuneration**

	2022	2021
	£000	£000
Emoluments in respect of qualifying services to the Company	<u>924</u>	<u>671</u>

The emoluments of the highest paid Director is £300,000 (2021: £300,000). The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £nil (2021: £nil).

No directors have received an uplift in emoluments during the year. The increase from 2021 is due to all directors being in post for the full year. In the previous year three directors were appointed part way through the year the year.

The remuneration of Richard Harrison and Robin Gisby is paid by the parent company. Their services to this company are of a non-executive nature and their remuneration is deemed to be wholly attributable to their services to the parent company. Accordingly the above details include no remuneration in respect of the non-executive directors.



Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022

**5 Staff costs**

	2022	2021
		Restated
	£000	£000
Wages and salaries	311,369	291,437
Social security costs	30,243	30,144
Other pension costs	18,829	17,308
	<u>360,441</u>	<u>338,889</u>

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

	2022	2021
	Number	Number
Managerial and administrative	588	519
Operational	6,282	6,076
	<u>6,870</u>	<u>6,595</u>

**6 Finance income and expenses**

	2022	2021
		Restated
	£000	£000
<b>Finance income</b>		
Bank interest	10	-
<b>Total finance income</b>	<u>10</u>	<u>-</u>
<b>Finance expenses</b>		
Interest payable to group undertakings	-	(261)
Interest expenses relating to leases	(3,445)	(1,636)
Pension interest expense	(227)	(177)
Other interest expense	-	(9)
<b>Total finance expenses</b>	<u>(3,672)</u>	<u>(2,083)</u>

Northern Trains Limited  
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For the year ended 31 March 2022

**7 Tax on profit**

**a) Tax recognised in the income statement**

	2022	2021
		Restated
	£000	£000
Current taxation:		
Current tax on profits for the year	1,963	5,910
Adjustments in respect of prior year	<u>379</u>	<u>444</u>
	<u>2,342</u>	<u>6,354</u>
Deferred taxation;		
Current year	(221)	1,302
Adjustments in respect of prior year	<u>(376)</u>	<u>(433)</u>
Total deferred tax (note 14)	<u>(597)</u>	<u>869</u>
Total tax charge reported in the income statement	<u>1,745</u>	<u>7,223</u>

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

	2022	2021
		Restated
	£000	£000
Other comprehensive income items:		
Current tax	(831)	-
Deferred tax current year charge/(credit)	<u>117</u>	<u>(1,305)</u>
Tax reported outside of the income statement	<u>(714)</u>	<u>(1,305)</u>

The Deferred tax current year charge recognised through Other Comprehensive Income of £117,000 (2021 restated: credit of £1,305,000) relates to the movement on the defined benefit pension liability recognised in Other Comprehensive Income.

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022  
**7 Tax on profit (continued)**

**c) Factors affecting total tax charge for the current year**

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

The tax assessed for the year is lower (*2021 restated: higher*) than the standard effective rate of corporation tax in the UK of 19% (2021: 19%). The current tax charge is made up as follows:

	2022	2021 Restated
	£000	£000
Profit before taxation	<u>9,415</u>	<u>37,242</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	1,789	7,076
Fixed asset differences	102	133
Expenses not deductible for tax purposes	65	4
Adjustments to tax charge in respect of prior years	378	1
Remeasurement of deferred tax for changes in tax rate	(587)	-
Other items	(2)	9
Total tax charge for the year reported in the income statement	<u>1,745</u>	<u>7,223</u>

Northern Trains Limited  
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**8 Intangible assets**

	<b>Assets under development</b>	<b>Software costs</b>	<b>Mobilisation costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>				
At beginning of year	-	271	312	583
Additions	2,446	-	212	2,658
Transfers	(234)	234	-	-
<b>At end of year</b>	<b>2,212</b>	<b>505</b>	<b>524</b>	<b>3,241</b>
<b>Accumulated amortisation</b>				
At beginning of year	-	139	75	214
Amortisation charged to the income statement	-	63	132	195
<b>At end of year</b>	<b>-</b>	<b>202</b>	<b>207</b>	<b>409</b>
<b>Net book value</b>				
At beginning of year	-	132	237	369
<b>At end of year</b>	<b>2,212</b>	<b>303</b>	<b>317</b>	<b>2,832</b>

Additions in the year primarily relate to our customer success platform and website development. The website improvements went live during the year so have been transferred from assets under construction to software.

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**9 Tangible assets**

	Right of Use £000	Assets under construction £000	Plant and equipment £000	Total £000
<b>Cost</b>				
At beginning of year (restated)	389,452	20,366	42,617	452,435
Additions	6,515	35,716	-	42,231
Remeasurement	103,965	-	-	103,965
Disposals	(1,321)	-	-	(1,321)
Transfers	-	(36,198)	36,198	-
<b>At end of year</b>	<b>498,611</b>	<b>19,884</b>	<b>78,815</b>	<b>597,310</b>
<b>Accumulated depreciation</b>				
At beginning of year (restated)	106,658	-	6,793	113,451
Depreciation charged to the income statement	101,187	-	11,759	112,946
Disposals	(1,321)	-	-	(1,321)
<b>At end of year</b>	<b>206,524</b>	<b>-</b>	<b>18,552</b>	<b>225,076</b>
<b>Net book value</b>				
At beginning of year	282,794	20,366	35,824	338,984
<b>At end of year</b>	<b>292,087</b>	<b>19,884</b>	<b>60,263</b>	<b>372,234</b>

The remeasurement in year relates to the extension on the service period to 1 March 2025 from the previous end date of 1 March 2024. The change of accounting judgement as detailed in Note 1, has led to an increase in the asset value and recognised liability at the balance sheet date.

Additions in the year relate to our ongoing train digitisation programme and wheel-slip protection modifications, as well as facility upgrade projects. Transfers from assets under construction to plant and equipment also largely relate to these three projects, as well as our Newton Heath maintenance facility, which became operational during the year.

Previously, additions to tangible assets had been reported net of relevant capital grants. Paragraph AG1 (m) of FRS 101 requires capital grants to be 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. Therefore, the financial statements have been restated as at 31 March 2021 as follows:

Assets under construction – cost increased by £3,498,000;

Plant and equipment – cost increased by £8,338,000, accumulated depreciation increase by £1,059,000;

Deferred capital grant income due after more than one year (Note 13) – increased by £8,957,000;

Deferred capital grant income due within one year (Note 13) – increased by £1,820,000;

Depreciation expense (Note 3) – increased by £1,059,000; and

Other external charges (Note 3) – decreased by £1,059,000.

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2022  
**9 Tangible assets (continued)**

The restatement has not impacted the income statement or statement of comprehensive income. Within the statement of financial position, the prior year comparatives for tangible assets and non-current trade and other payables have increased by £10,777,000.

**10 Investments**

The Company held the following unlisted investments at 31 March 2022 (*and at 31 March 2021*):

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 fair value and any changes in the fair value are recognised in the Income Statement.

The Company holds an investment in associate of 25.1% (2021: 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. This investment is held at cost and no impairment has been identified (2021: £nil).

**11 Inventories**

	2022	2021
	£000	£000
Raw materials and consumables	<u>6,744</u>	<u>6,119</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 year amounted to £45,375,191 (2021: £32,709,922).

Northern Trains Limited  
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**12 Trade and other receivables**

	2022	2021
		Restated
<i>Amounts falling due within one year:</i>	£000	£000
Trade receivables		
Rail Settlement Plan	16,903	3,588
Other trade receivables	23,552	8,205
	<u>40,455</u>	<u>11,793</u>
Amounts owed by group undertakings	8,722	7,598
Value Added Tax receivable	4,376	5,505
Prepayments	6,209	14,769
Corporation tax receivable	6,991	198
Accrued income	8,727	2,519
Other receivables	1,170	410
	<u>76,650</u>	<u>42,792</u>

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

All trade and other receivables at the balance sheet date have been assessed for any expected credit losses. This assessment confirmed any expected credit losses to be immaterial.

Northern Trains Limited  
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**13 Trade and other payables**

	2022	2021
		Restated
	£000	£000
<i>Amounts falling due within one year:</i>		
Trade payables		
Rail Settlement Plan	4,875	2,304
Other trade payables	55,884	36,867
	<u>60,759</u>	<u>39,171</u>
Amounts owed to group undertakings	223	695
Deferred season ticket revenue	1,396	682
Other taxation and social security	7,477	7,723
Other payables	190	367
Accruals	67,287	61,159
Deferred revenue	15,416	18,518
Deferred capital grant income	5,540	1,820
	<u>158,288</u>	<u>130,135</u>
<i>Amounts falling due after more than one year:</i>		
Deferred capital grant income	17,226	8,957

Amounts owed to group undertakings within one year are repayable on demand. There is a loan facility in place with DfT OLR Holdings Limited. The balance included within amounts owed to group undertakings in relation to this loan is £nil (2021: £nil). This loan attracts interest at 1 year LIBOR +4%.

The prior year deferred revenue balance of £18,518,000 (2021: £3,977,000) and the prior year deferred season ticket revenue balance of £682,000 (2021: £6,074,000) was all recognised as revenue in the current year.

Deferred capital grant income relates to grant funding received from government related entities in respect of capital projects.

Other trade payables includes a payment due to the DfT of £19,408,000 (2021: £10,716,000) representing the difference between final amounts due and the forecasted amounts claimed for subsidy income receipts under the Service Agreement with the DfT.

The statement of financial position has been restated to separately present the IFRS 16 lease liabilities in accordance with paragraph 54(m) of IAS 1. Previously these had been included within Trade and other payables but have been restated to present a separate line on the statement of financial position. Trade and other payables have been decreased by £95,354,000 (current) and £187,086,000 (non-current) and current and non-current lease liabilities have been increased by the same amounts.



#### 14 Deferred tax

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

Deferred tax (asset)/liabilities:

	2022	2021
		Restated
	£000	£000
Fixed assets	(132)	326
Short term provision	(191)	(185)
Defined benefit pension	(2,116)	(2,100)
Deferred tax asset	<u>(2,439)</u>	<u>(1,959)</u>

The movement in deferred tax during the year was:

	2022	2021
		Restated
	£000	£000
At beginning of year	(1,959)	(1,523)
(Credit)/charge to income statement (note 7a)	(597)	869
Charge/(credit) to OCI (note 7b)	<u>117</u>	<u>(1,305)</u>
Deferred tax asset	<u>(2,439)</u>	<u>(1,959)</u>

#### 15 Ordinary up share capital

	2022	2021
	£	£
Issued share capital unpaid		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

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**16 Reserves**

A reconciliation of the movements in reserves is shown in the Statement of Changes in Equity on page 36.

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

**17 Capital commitments**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Contracted	<b><u>17,281</u></b>	<b><u>15,112</u></b>

Capital commitments at the balance sheet date relate to the ongoing transformation programme, specifically digital trains, depot developments, rolling stock improvements, customer information screens and facility upgrade projects.

Northern Trains Limited  
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**18 Lease liabilities**

	Rolling Stock	Land & Buildings	Motor Vehicles	Total
	£000	£000	£000	£000
<b>Lease liabilities</b>				
Balance at 1 April 2021	283,063	377	-	283,440
Additions	6,515	-	-	6,515
Interest	3,439	6	-	3,445
Remeasurement	103,416	549	-	103,965
Repayment of lease liabilities	(100,926)	(331)	-	(101,257)
<b>Balance at 31 March 2022</b>	<b>295,507</b>	<b>601</b>	<b>-</b>	<b>296,108</b>
Current lease liabilities	101,924	375	-	102,299
Non-current lease liabilities	193,583	226	-	193,809
<b>Total lease liabilities</b>	<b>295,507</b>	<b>601</b>	<b>-</b>	<b>296,108</b>
<b>Right of use assets</b>				
Balance at 1 April 2021	282,417	377	-	282,794
Additions	6,515	-	-	6,515
Disposals	-	-	-	-
Remeasurement	103,416	549	-	103,965
Depreciation for the year	(100,930)	(257)	-	(101,187)
<b>Balance at 31 March 2022</b>	<b>291,418</b>	<b>669</b>	<b>-</b>	<b>292,087</b>
<b>Lease amounts recognised in operating costs:</b>				
Leases of low value assets	-	-	316	316

The remeasurement in year relates to the extension on the service period to 1 March 2025 from the previous end date of 1 March 2024. The change of accounting judgement as detailed in Note 1, has led to an increase in the asset value and recognised liability at the balance sheet date.

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**19 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 method of Pension accounting applied in the financial statements has changed this year from the previous 'Franchise Adjustment' method to the 'Income Statement Franchise Adjustment' method. This has been prompted by a review by our parent company DOHL of TOC pension accounting arrangements. This now aligns NTL to a recognised accounting approach adopted by an increasing number of TOC schemes. The new approach is seen as easier for a user of the financial statements to follow and is not sensitive to the key accounting judgement around the duration of the Service Agreement.

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 year ended 31 March 2022 were around 13.7% 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 22 years as at 31 March 2022 (2021: 22 years).

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 at 31 March 2022.
- **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.

## 19 Retirement benefit obligations (continued)

### Membership data:

	31 March 2022	31 March 2021
	Number	Number
Active members	6,774	6,516
Deferred members	3,310	3,229
Pensioner members (including dependants)	3,628	3,612

### Asset Data:

	31 March 2022	31 March 2021
	£000	£000
Growth assets	1,245,687	1,220,667
Property	-	5,200
Other assets	176,208	9,374
<b>Total asset value</b>	<b>1,421,895</b>	<b>1,235,241</b>

All assets in the scheme are unquoted.

### Summary of assumptions:

	31 March 2022	31 March 2021
	% pa	% pa
Discount rate	2.65	2.05
Future price inflation (RPI measure)	3.60	3.20
Future price inflation (CPI measure)	3.30	2.90
Pension increases (CPI measure)	3.30	2.90
Pensionable salary increases	3.60	3.20

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**19 Retirement benefit obligations (continued)**

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

	<b>31 March 2022</b>	<b>31 March 2021</b>
Male currently aged 65	<b>20.4</b>	20.4
Male currently aged 45	<b>21.8</b>	21.8
Female currently aged 65	<b>22.7</b>	22.7
Female currently aged 45	<b>24.3</b>	24.2

Defined benefit liability at end of year:

	<b>31 March 2022</b>	<b>31 March 2021</b>
		Restated
	<b>£000</b>	<b>£000</b>
Defined benefit obligation at end of year		
Active members	<b>(1,326,942)</b>	(1,272,722)
Deferred members	<b>(238,491)</b>	(242,265)
Pensioner members (incl. dependants)	<b>(389,796)</b>	(431,771)
<b>Total defined benefit obligation</b>	<b>(1,955,229)</b>	(1,946,758)
Fair value of assets at end of year	<b>1,421,895</b>	1,235,241
Adjustment for the members' share of deficit	<b>213,333</b>	284,607
Deficit expected to be recovered after end of current service period	<b>311,535</b>	415,851
<b>Net defined benefit liability at end of the year</b>	<b>(8,466)</b>	(11,059)

Reconciliation of net defined benefit liability:

	<b>2022</b>
	<b>£000</b>
Opening net defined benefit liability	(11,059)
Employer's share of P&L expense	(18,571)
Employer's contributions	22,948
Total gain recognised in OCI	(1,784)
Closing net defined benefit liability	<b>(8,466)</b>

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**19 Retirement benefit obligations (continued)**

Profit & Loss (P&L):

	2022	2021
		(restated)
	£000	£000
Employer's share of service costs	67,605	43,844
Franchise adjustment to service	(51,615)	(29,710)
Employer's share of administration cost	2,354	3,130
Past service cost adjustment	-	336
<b>Total employer's share of service cost</b>	<b>18,344</b>	<b>17,600</b>
Employer's share of net interest on net defined benefit asset	8,545	6,182
Interest on current service period adjustment	(8,318)	(6,005)
<b>Employer's share of P&amp;L expense</b>	<b>18,571</b>	<b>17,777</b>

Other comprehensive income (OCI):

	2022	2021
		(restated)
	£000	£000
Gain/(loss) due to liability experience	(48,324)	(27,671)
Gain/(loss) due to liability assumption changes	(41,678)	(99,365)
Return on plan assets greater than discount rate	88,218	120,163
<b>Total gain/(loss) recognised in the OCI</b>	<b>(1,784)</b>	<b>(6,873)</b>

## 19 Retirement benefit obligations (continued)

Reconciliation of defined benefit obligation (DBO):

	<b>2022</b>
	<b>£000</b>
Opening defined benefit obligation	(1,946,758)
Service cost	(67,605)
Interest cost on DBO	(23,745)
Franchise adjustment to service cost	51,615
Interest on franchise adjustment	8,318
Employee contributions	(15,038)
Loss on DBO – experience	(61,575)
Gain on DBO – demographic assumptions	4,062
Gain on DBO – financial assumptions	100,333
Benefit payments	32,451
Pensions liability on business combination*	(37,287)
<b>At end of year</b>	<b>(1,955,229)</b>

Reconciliation of value of assets:

	<b>£000</b>
Opening value of section assets	1,235,241
Interest income on assets	15,200
Return on plan assets less than discount rate	147,032
Employer's contributions	22,948
Employee contributions	15,038
Actual benefit payments	(32,451)
Administration costs	(2,354)
Pensions asset on business combination*	21,241
<b>Closing value of section assets</b>	<b>1,421,895</b>

\* During the year the Company took on full operation of the Neville Hill Depot, including TUPE of 239 colleagues from East Midlands Railway. This has been accounted for as an acquisition with pension asset and pension liability transferred in. All other assets obtained were not significant.



## 19 Retirement benefit obligations (continued)

DBO sensitivity to significant actuarial assumptions:

	Sensitivity	Approximate change in DBO £000
Discount rate	-0.25% p.a.	+113,516
	+0.25% p.a.	-104,955
Price inflation (CPI measure)*	-0.25% p.a.	-99,097
	+0.25% p.a.	+106,570
Salary increases	-0.25% p.a.	-37,843
	+0.25% p.a.	+39,210
Life expectancy	-1 year	-84,074
	+1 year	+84,074

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

The sensitivity figures are as at 31 March 2022. 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.

The financial statements have been restated to incorporate a change in pension accounting policy from the 'Franchise Adjustment Method' to the 'Income Statement Franchise Adjustment Method' (as defined in the accounting policies note). The change has resulted in net assets as at the 31 March 2021 decreasing by £118.3m and £38.5m as at the 31 March 2020.

The income statement, statement of other comprehensive income, statement of financial position and statement of financial position have been restated.

The DfT service agreement subsidy is calculated to deliver a margin in line with the Company's service agreement. It should be noted that whilst the change in pension accounting policy has resulted in a higher restated profit for the year the directors have received confirmation from the DfT that the policy change in respect of pension accounting will not result in a clawback of DfT service agreement subsidy received in the prior year. The impact of this is that profit before tax excluding DfT service agreement subsidy as a proportion of total revenue for the Company in the prior year is higher than would be calculated under the Service Agreement.

The capital contribution previously recognised included the Company's defined benefit pension asset net of deferred tax at the start of ownership, amounting to £31.7m. Following the restatement, there was a net defined benefit pension liability net of deferred tax of £11m. The restatement results in this liability being recognised directly in retained earnings at the date ownership was transferred for the Franchise Sections.

Northern Trains Limited  
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For the year ended 31 March 2022

**19 Retirement benefit obligations (continued)**

Financial statements for year ended 31 March 2021

**Statement of Financial Position:**

	<b>Adjustment £000</b>	<b>Restated £000</b>	<b>Previously reported £000</b>
Net retirement (obligation)/benefit	<b>(146,026)</b>	(11,059)	134,967
Deferred Tax asset/(liability)	<b>27,735</b>	1,959	(25,776)
Capital contribution	<b>(31,714)</b>	-	31,714

**Income Statement:**

	<b>Adjustment £000</b>	<b>Restated £000</b>	<b>Previously reported £000</b>
Staff costs: Other pension costs	<b>29,834</b>	(17,308)	(47,142)
Finance income: Pension interest	<b>(1,066)</b>	-	1,066
Finance expenses: Pension interest	<b>(177)</b>	(177)	-
Deferred tax (charge)/credit	<b>(5,386)</b>	(869)	4,517

**Statement of Comprehensive Income:**

	<b>Adjustment £000</b>	<b>Restated £000</b>	<b>Previously reported £000</b>
Actuarial (loss)/gain on Retirement Benefit/Obligation	<b>(126,825)</b>	(6,873)	119,952
Tax on defined benefit pension	<b>24,096</b>	1,305	(22,791)

Northern Trains Limited  
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For the year ended 31 March 2022  
**19 Retirement benefit obligations (continued)**

**Financial statements for year ended 31 March 2020**

Statement of Financial Position:

	<b>Adjustment</b>	<b>Restated</b>	<b>Previously reported</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net retirement (obligation)/benefit	<b>(47,499)</b>	(8,066)	39,433
Deferred Tax asset/(liability)	<b>9,034</b>	1,532	(7,502)
Capital contribution	<b>(31,714)</b>	-	31,714

**20 Related party disclosures**

The Company is a 100% owned subsidiary of DfT OLR Holdings Limited. As at the 31 March 2022, the Company has a receivable of £8,096,000 (2021: £7,532,000) due from DfT OLR Holdings Limited.

Northern Trains Limited operates a passenger rail service franchise under licence under a Service Agreement with the Secretary of State for Transport. Under the Service Agreement Northern Trains Limited is to receive a service agreement subsidy from the Department for Transport (DfT), which was £632,612,000 in the year (2021: £782,004,000).

During the year the net cost of goods and services purchased from and sold to Network Rail was £143,695,000 (2021: £161,460,000). Capital project funding of £9,433,000 was received during the year (2021: £11,281,000). As at the 31 March 2022, balances with Network Rail included receivables £5,685,000 (2021: £nil) and payables £12,371,000 (2021: £15,895,000).

There were no other related party transactions during the year (2021: none).

**21 Post balance sheet events**

Since the year end the RMT, ASLEF and TSSA trade unions have called strikes across the rail industry in Britain. These included the employees of NTL, as well as Network Rail the infrastructure provider and other train operating companies. Regrettably at the date of signing the financial statements, we anticipate further industrial action. We are working to try to resolve this situation for the benefit of our passengers, our employees, and the company and its shareholder.

**22 Ultimate parent undertakings and ultimate controlling party**

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.