FIRST TRANSPENNINE EXPRESS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

Company Registered Number: 09111801

FIRST TRANSPENNINE EXPRESS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

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STRATEGIC REPORT
For the year ended 31 March 2023

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

First Transpennine Express Limited ("TPE" or "Company") mainly operated passenger railway services in the north of England and in Scotland, providing essential connectivity between towns and cities including Liverpool, Manchester, Leeds, York, Newcastle, Sheffield, Hull, Middlesbrough (inc. Redcar and Saltburn), Scarborough, Cleethorpes, Preston, Carlisle, Glasgow and Edinburgh, as well as direct links for Manchester Airport until the 28 May 2023.

Business review

The Company operated throughout the year under the terms of the National Rail Contract ("NRC") with the Department for Transport ("DfT"), which was effective from 30 May 2021. The NRC had an initial term of 2 years until 28 May 2023 with the Secretary of State having the right to extend it for up to another 2 years. In May 2023 the DfT announced its decision not to exercise its option to extend TPE's NRC and the DfT's Operator of Last Resort took over the delivery of passenger services on the network from 28 May 2023.

During the year, the decline in TPE's service levels was due to circumstances largely out of the Company's control, mainly the challenging industrial relations environment including the withdrawal of longstanding industry-standard overtime arrangements when TPE was undertaking unprecedented driver training requirements due to infrastructure upgrades. The loss of the contract was a huge disappointment for the Company, which has worked extremely hard to improve services and to successfully recruit and train more drivers than ever before. The Company had also worked closely with the DfT and Transport for the North on an agreed recovery plan, which had led to a c.40% reduction in cancellations in May 2023.

Under the NRC, the DfT retains all revenue risk and substantially all cost risk (provided costs in excess of budget are agreed in advance with the DfT). TPE is paid a fixed management fee and has the opportunity to earn additional performance fees. The NRC is based on a more appropriate balance of risk and reward between operators and the Government and carries no significant contingent capital risk with the net cost of operations and capital expenditure funded in advance by the DfT. Through the NRC, the Company is incentivised to deliver strong performance outcomes for customers through punctuality and reliability targets. These are supplemented by a balanced scorecard focused on customer service delivery, financial performance and business management.

TPE continued to effectively support the route upgrade and electrification of the 72-mile York to Manchester route in support of its decarbonisation roadmap. Work progressed well in FY 2023 with nearly 20% of the route expected to be electrified by the end of 2024 and the significant remodelling at Stalybridge station successfully completed after a 26 day closure.

Travellers who are deaf or have hearing loss often struggle to hear station announcements and communicate with staff, which can make it harder to plan and carry out journeys. TPE has trialled Artificial Intelligence technology at various stations this year which translates live journey information into British Sign Language (BSL). This is displayed through a figure on digital totem screens, giving them more confidence on their journeys. In FY 2023 we introduced a number of accessibility tools; these included the launch of My Station View and GoodMaps Explore on TPE.

STRATEGIC REPORT (CONTINUED)
For the year ended 31 March 2023

Business review (continued)

At the 2023 Rail Business Awards, TPE won the Diversity and Inclusion award after being recognised for its data-led and evidence-based approach to diversity and inclusion and for demonstrating a full understanding of the issues.

TPE also partnered with the British Transport Police ("BTP") to promote the new Railway Guardian app which has been developed by BTP and provides information on what to do if you witness or are a victim of harassment or sexual offences. To support the launch, TPE issued a series of four videos showing real-life situations faced by customers on the network and the difference rail users can make in keeping people safe from problematic behaviour.

A number of trade unions carried out industrial action during the year over jobs, pay and conditions, which is ongoing. Notwithstanding the fact that under the NRC the Company bears no revenue risk and limited cost risks, prolonged industrial action presents enormous challenges for everyone, and most importantly for rail passengers who rely on our services.

Passenger receipts grew by 20.6% (2022: grew by 234.2%) over the year (2023: £183.3m versus 2022: £151.9m) due to passenger levels continuing to grow towards pre-covid levels, with an offsetting reduction in revenue subsidy received from the DfT of £247.3m (2022: £259.3m).
General turnover increased to £443.9m (2022: £420.9m) and total income increased to £455.5m (2022: £429.8m). The Company made an operating profit of £11m (2022: £8m).

Our priorities and outlook

On 11 May 2023, the DfT announced its decision not to exercise its option to extend TPE's NRC. The Company's operations were transferred to the DfT's Operator of Last Resort on 28 May 2023. The transfer of staff and certain assets and liabilities and the communication of the transfer requirements to all trading partners and stakeholders was undertaken successfully.

The Company ceased to operate passenger rail services on 28 May 2023 and these financial statements have been prepared on a basis other than going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All significant operating assets and liabilities of the Company were contractually passed to Transpennine Trains Limited, a subsidiary undertaking of the Secretary of State.

The Company continues to trade in order to close out its contractual obligations and deal with residual issues including agreement of the net asset statement with Transpennine Trains Limited, and realisation of assets / settlement of liabilities not subject to the transfer agreement with Transpennine Trains Limited.

STRATEGIC REPORT (CONTINUED)
For the year ended 31 March 2023

Going concern

The directors are required to state whether they consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements and identify any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

Background for going concern

As explained above in "Our priorities and outlook", the Company ceased to operate passenger rail services on 28 May 2023 and these financial statements have been prepared on a basis other than going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All significant operating assets and liabilities of the Company were contractually passed to Transpennine Trains Limited, a subsidiary undertaking of the Secretary of State.

As at 31 March 2023, the Company had net current assets of £3.2m (2022: £5.4m) and net liabilities of £25.9m (2022: £32.6m).

As disclosed in note 24, Contingent liabilities, the Company has a Funding Deed with its ultimate parent company, FirstGroup plc, for an amount of £63.7m. This enables the Company to complete an orderly wind-down of its assets and liabilities and to settle its debts as they fall due.

Going concern statement

As a consequence of the DfT's decision not to exercise its option to extend TPE's NRC, these financial statements have been prepared on a basis other than going concern.

Key Performance Indicators

Financial key performance indicators are the fixed and performance-based fees under the terms of the NRC which directly drive the level of operating profit.

Under the NRC TPE earns performance-based fees based upon scoring against quantitative and qualitative scorecard measures. The performance-based fee is across five areas: Operational Performance, Customer Satisfaction, Service Quality, Finance and Business Management. Each area is split into one or more subcomponents. Operational Performance and Service Quality are quantitative measures and are split into subcomponents. Customer Satisfaction, Finance and Business Management are scored against a qualitative scorecard measure.

The performance fee depends on the qualitative scoring in each area where the operator is graded a 1, 2 or 3, 3 being the maximum fee level.

In addition, the Company earned fees through support provided to, and milestones delivered, on the Transpennine Route Upgrade ("TRU") project.

The key non-financial performance indicators are set out below.

The main subcomponents for Operational Performance are: Time to 3 (percentage of recorded station stops called at within 3 minutes of the planned time), Time to 15 (percentage of recorded station stops called at within 15 minutes of the planned time) and Cancellations (percentage of planned trains which either did not run their full planned journey or did not call at all their planned stations).

Key Performance Indicators (continued)

In the current financial year, Time to 3 performance was 72.24% against a target of 78.55%, Time to 15 was 95.15% against a target of 97.05% and Cancellations performance was 6.64% against a target of 4.56%. These metrics continued to be affected by the impact of traincrew industrial relations throughout the year (both industrial action and lack of an agreement for drivers to work rest days), deterioration of track quality and reactionary impacts to the effect of driver non-availability. Delays attributed to Network Rail, the infrastructure provider, remained high.

Under the NRC a Service Quality Regime ("SQR") was introduced which assesses the standard of customer-facing assets and facilities across our stations, onboard our trains and our in person and on-line customer service offering. All inspections are completed entirely independently, and anything found not to meet the desired standards is subject to rectification, which has to be completed within an agreed DfT timescale and evidenced to ensure that issues are fixed. TPE's results against targets since the introduction of SQR are shown in the table below:

	Service Quality Area	Targets	Annual
Stations	Ambience & Assets	85%	79%
	Cleanliness	80%	89%
	Information	85%	85%
	Ticketing and Staffing	90%	92%
Trains	Ambience & Assets	90%	92%
	Cleanliness	95%	96%
	Information	84%	91%
CS	On-line Information	92%	91%
	Staff Helpfulness	92%	94%

The Company's average headcount in the year increased to 1,605 (2022: 1,511), an increase of 6%. This increase is mainly due to the recruitment of additional management and traincrew to support TRU.

The Company measures employee engagement via 'Your Voice', its annual staff survey. The overall engagement level in 2023 was 39% (2022: 84%) against a target of 50%. This is mainly due to the challenging industrial relations environment.

Principal risks and uncertainties

To deliver our strategy, it is important that we understand and manage the risks that faces the Company. We have a risk management methodology which we use throughout the business to allow us to identify and manage the principal risks which could:

- adversely impact the safety and security of the Company's employees, customers and/or assets;
- have a material impact on the financial or operational performance of the Company;
- impede achievement of our strategic objectives and financial targets; and/or
- adversely impact the Company's reputation or stakeholder expectations.

STRATEGIC REPORT (CONTINUED)
For the year ended 31 March 2023

Principal risks and uncertainties (continued)

The Company's principal risks and uncertainties are set out below. These risks have been assessed considering their potential impact (both financial and reputational), the likelihood of occurrence and any change to this compared to the prior year and the reduced risk after the implementation of controls. Under the NRC the Company holds no revenue risk and very limited cost risk that is proportional to the reward available to the Company.

The Company was subject to these principal risks and uncertainties during the year. As discussed in the "Our priorities and outlook" section of the Strategic Report, the Company ceased to operate passenger rail services on 28 May 2023. Its principal risk going forward, following the successful transfer of the trade and assets to Transpennine Trains Limited, will be the realisation and settlement of the residual assets and liabilities.

Contractual agreements with the DfT

The Company is required to comply with certain conditions as part of its contractual agreements. If it fails to comply with these conditions, it may be liable to penalties including the potential termination of the contract. This would result in the Company losing the right to continue operating the affected operations and, consequently, the related opportunity to earn fees or cash flows. The Company may also lose some or all of the amounts set aside as security.
Compliance with contract conditions are closely managed and monitored on a monthly basis by senior management and procedures are in place to minimise the risk of non-compliance.
The Secretary of State announced on 11 May 2023 that the NRC would expire at the end of its core term to 28 May 2023.

Information Technology (IT)

The Company relies on information technology in all aspects of its operations. Any significant disruption or failure, caused by external factors, denial of service, computer viruses or human error could result in a service interruption, accident or misappropriation of confidential information (including credit card and personal data). Process failure, security breach or other operational difficulties may also lead to revenue loss, increased costs, fines, penalties or additional insurance requirements. Prolonged failure of its sales website could also adversely affect revenues.

The Company focuses on asset management and further enhanced its IT security processes and procedures to mitigate this risk.

Customer service

Although revenue risk does not sit with the Company under the terms of the NRC, the Company has an obligation to continue to drive customer revenue recovery and this is reflected in the criteria of the Performance Fee potential. Revenues are at risk if the Company does not continue to provide the level of services expected by customers. Ongoing engagement with customers and community stakeholders takes place across the network, including through 'meet the manager' events, customer panels, consultations and local partnerships. The Board also monitors customer service KPIs to ensure that strict targets are being met.

Principal risks and uncertainties (continued)

Political and regulatory issues

The Company is subject to numerous laws and regulations covering a wide range of matters including health and safety, equipment, employment (including working time, wage and hour, mandatory breaks and holiday pay), competition and anti-trust, data protection and security, bribery and corruption, environment, insurance coverage, consumer protection, and other operational issues. Failure to comply could have financial or reputational implications, result in increased litigation and claims, and have a negative impact on the Company. These laws and regulations are constantly subject to change, the impact of which could include increased compliance costs and/or a reduction in operational flexibility and efficiency.

To help mitigate the risk of legislative or regulatory changes the Company and FirstGroup plc have embedded operating policies and procedures to ensure compliance with existing legislation and regulation. FirstGroup plc actively engages with the relevant bodies and policy makers to help ensure that we are properly positioned to respond to any proposed changes.

Pension scheme funding

The Company primarily participates in a defined benefits pension scheme. Future cash contribution requirements may increase or decrease based on pension scheme investment performance, rates of interest and inflation and estimated life expectancy as well as changes in the underlying membership of the scheme. Other factors, such as changes to the relevant regulatory environments, can affect the pace of cash funding requirements.

At the previous year end, we noted that The Pensions Regulator ("TPR") had been in discussion with the Railways Pension Scheme ("the Scheme") regarding the assumptions used to determine the Scheme's funding requirements. Discussions are ongoing, and the possibility remains of changes to contributions that could impact all rail operators sponsoring this industry-wide scheme.

TPR and the DfT requested that the RDG co-ordinate the Train Operators' involvement in an industry-wide review of the Scheme's funding. The RDG, comprising participants from each of the large owning groups, has been seeking to develop a framework which meets TPR, DfT, RPS and RDG objectives. There has been continuing engagement between the key parties during the year, and efforts to develop a framework to take forward to a formal consultation are ongoing.

Management continues to believe that the protections contained within current contractual agreements with the DfT will allow the Scheme to continue with its current funding strategy in the short term. Nevertheless, TPR believes that a higher level of funding is required in the longer term, and the Group has been engaged with the industry-wide project to consider the funding of the Scheme.

Management continues to believe that an approach that meets TPRs key objectives while maintaining stability and fairness, and retaining protection against unacceptable risk, for both operators and scheme members, is achievable.

Under contractual agreements the Company is not responsible for any increased cost or residual deficit at the end of a contract. Therefore, there is only short-term cash flow risk within our contract.

Principal risks and uncertainties (continued)

Compliance, litigation and claims, health and safety

The Company's operations are subject to a wide range of legislation and regulation. Failure to comply can lead to litigation, claims, damages, fines and penalties. The Company has three main risks: third party injury and other claims arising from general operations, employee injuries and property damage.

A higher volume of litigation and claims can lead to increased costs and reputational impact. The financial risk under the terms of the NRC is for such costs to be determined as disallowable and therefore falling outside of the funding terms, as well as the risk of non-compliance with contractual terms. The Company has a very strong focus on safety, and it is one of its five values.

It self-insures third party and employee injury claims, up to a certain level commensurate with the historical risk profile. It purchases insurance above these limits from reputable global insurance firms and claims are managed by experienced claims handlers. Non-insured claims are managed by FirstGroup plc's dedicated in-house legal teams with external assistance as appropriate.

Employee costs, relations, recruitment and retention

Labour costs represent a significant component of the company's operating costs. Labour shortages, or low unemployment rates, could hinder the company's ability to recruit and retain qualified employees leading to a higher than expected increase in the cost of recruitment, training, and other staff costs. Industrial action could adversely impact customer service and have a financial impact on the company's operations. The impact of high inflation could adversely affect wage costs.

To mitigate this risk, the company seeks to structure its recruitment and retention policies, training schemes and working practices. Employees are key to service delivery and therefore it is important that good employee relations are maintained. Company working practices include building communication and engagement with trade unions and the wider workforce. Examples of this engagement include regular leadership conferences and employee surveys.

Disruption to infrastructure/operations

Across our network, we are experiencing greater and more frequent adverse weather disruption impacting our service levels. Severe weather can reduce profits, for example through lower demand for our services, increased costs, and business disruption. We have severe weather action plans and procedures to manage the impact on our operations.

The threat from terrorism is enduring and continues to exist. Public transport continues to be regarded as an attractive and viable target. Across our business, we take all reasonable steps to help guard against such activity on the services we operate. An attack, or threat of attack, could lead to reduced public confidence in the public transportation, and/or specifically in our security and safety record and could reduce demand for our service, increase costs and security requirements and cause operational disruption.

The Company has a Head of Safety & Security who is responsible for improved security awareness, the application of good practice in the implementation of security measures, and the development and training of our employees so that they can respond effectively to any perceived threat or incident.

Principal risks and uncertainties (continued)

Environment and climate change

Environmental and climate change issues are key issues facing the transport sector and have the potential to carry significant risks. We are well positioned to mitigate against these risks through our environmental and sustainability strategy.

The Company continues to build on the prestigious international standards for environmental and energy management by maintaining certification to ISO 14001:2015 and ISO 50001:2011.

Contracts and projects with suppliers with significant environmental risk are now evaluated by our Sustainability team.

Companies Act 2006 Section 172 Statement

The directors have a duty to promote the success of the Company for the benefit of its members as a whole. The Board understands the need to act fairly between the members of the Company when assessing the consequences of a decision over the longer term. The Board believes that its key stakeholders are:

- Customers
- Investors (First Rail Holdings Limited and, ultimately, FirstGroup plc)
- Government and political stakeholders
- Its People
- Communities
- Strategic partners and suppliers

The Board believe that strong engagement, collaboration and dialogue are critical to the effectiveness of its long-term relationships with key stakeholders. The Company Board has adopted the FirstGroup plc processes, policies and governance structures that are relevant to its business and contributes to their development and refinement.

Engaging ethically

In line with the Company's values and the expectations of its customers and partners, it is committed to conducting relationships with stakeholders with high ethical and moral standards in all its interactions. Its values and ethical commitment shape not only what it does, but also how it does it.

The Company has adopted the FirstGroup plc Code of Ethics which applies to everybody working for, or on behalf of, the Company. The code sets out the standards that customers and stakeholders expects of it, and what is expected of each other. It is supported by detailed policies and procedures which are implemented and managed by the senior management team, including its Code of Conduct on Anti-Slavery and Human Trafficking Prevention and its Anti-Bribery Policy.

Companies Act 2006 Section 172 Statement (continued)

Engaging ethically (continued)

The Company is committed to recognising human rights. It is committed to the prevention of modern slavery and human trafficking in all its forms, which extends to all business dealings and transactions in which it is involved. It has a zero-tolerance approach to any violations within the Company or by business partners.

The Company has a zero-tolerance approach to bribery, and never offers or accepts any form of payment or incentive intended to improperly influence a business decision. Equally, it supports free and open competition, gaining competitive advantage by providing the highest level of service, not through unethical or illegal business practices.

The Company has internal control systems and procedures in place to counter bribery and corruption.

Similarly, it respects and protects the privacy of its customers, employees and stakeholders, and is committed to conducting business in accordance with all applicable data protection legislation, including the General Data Protection Regulation and the UK Data Protection Act.

It has an externally managed whistleblowing service for colleagues available with a helpline (online and phone-based) for the anonymous reporting of suspected wrongdoing or dangers at work. All reported issues or concerns to the hotline are taken seriously and investigated as appropriate, ensuring that confidentiality is respected at all times.

The primary methods in which the Company engages with its stakeholders are outlined below:

Customers

- Regular customer and passenger satisfaction surveys to identify what is done well and where it can improve
- Robust customer feedback processes through online and traditional channels
- Customer panels and events
- Ongoing dialogue with customer representative groups

Investors

- Alignment of strategy and the governance structure to deliver the strategy
- Agreement on budgets and forecasts and the reporting of actual performance

Government and political stakeholders

- Engagement with industry forums
- Direct engagement with policymakers
- Strong links with national and regional governments
- Surveys of political stakeholders

Companies Act 2006 Section 172 Statement (continued)

Its People

- Regular 'Your Voice' employee engagement surveys
- Dialogue with employee representatives, including with its Employee Director and the trade unions
- Inductions, onboarding sessions and employee handbooks
- Multiple internal communications channels, including the Company intranet, briefings, newsletters and Company employee mobile apps
- Individual performance reviews and development discussions or Time with Your Manager meetings

Communities

- Targeted engagement plans and activities
- Regular dialogue, events and direct engagement activities
- Stakeholder reports and surveys
- Community investment, charitable engagement and employee volunteering

Strategic partners and suppliers

- Regular dialogue with key partners
- Collaboration in cross-industry forums
- Certified systems for collaborative supplier relationships
- Clear ethical and sustainability standards

The Board is mindful of its obligations under section 172 of the Companies Act 2006 to have regard to the views and interests of wider stakeholders when taking decisions. An example of how these considerations influenced the Board's decisions during the financial year is set out below:

The Company introduced a number of technology enhancements to improve accessibility this year, including new facilities to support deaf customers, as explained in the Business review.

The Company worked with partners to introduce robust recovery plans, resulting in a reduction in cancellations compared to summer 2022.

The Company made a repayment of its parent company support loan to FirstGroup plc of £11.2m, reducing the amount outstanding at 31 March 2023 to £34.7m.

STRATEGIC REPORT (CONTINUED)
For the year ended 31 March 2023

Approved by the Board of Directors

And signed on behalf of the Board

8th Floor
The Point
37 North Wharf Road
London
W21AF

Michael Nelson
Director

31 July 2023

DIRECTORS' REPORT
For the year ended 31 March 2023

The directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 March 2023.

Matters included in the strategic report

In accordance with s414C (11) of the Companies Act, included in the Strategic Report is information relating to the future developments and going concern of the business which would otherwise be required by Schedule 7 of the 'Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008' to be contained in a Directors' Report.

Results and dividends

The results for the year are given in the profit and loss account on page 20.

No dividends were declared during the year nor after the year end (2022: £Nil).

Directors

The directors, who held office throughout the year and to date, unless otherwise stated, are as follows:

Clive Burrows	
Hugh P Clancy	
Matthew L Golton	(resigned 26 May 2023)
Darren C Higgins	(resigned 26 May 2023)
Andrew James	(appointed 12 June 2023)
Carolann James	(resigned 26 May 2023)
Stephen Montgomery	
Michael J Nelson	
Andrew A Watkins	(resigned 26 May 2023)

Donations

The Company has not made any donations to a registered political party, or other political organisation in the year.

Statement of corporate governance arrangements

The Company is a subsidiary of FirstGroup plc, a UK premium listed Company that is subject to the UK Corporate Governance Code 2018 (the "Code"). In accordance with the Listing Rules, FirstGroup plc has included a detailed corporate governance report in its 2023 Annual Report and Accounts describing how FirstGroup plc has applied the Code's main principles and highlighting any non-compliance with the Code. The 2023 Annual Report and Accounts are available on FirstGroup plc's website (www.firstgroupplc.com).

As FirstGroup plc applies the Code throughout the Group, its corporate governance report also describes corporate governance at subsidiary level. The Company has not adopted any corporate governance code; however, they have applied the principles of the UK corporate governance code adopted by FirstGroup plc.

The Code contains to a substantial extent principles and provisions that are concerned with the listed parent Company only and which are therefore not applicable to the Company.

Statement of corporate governance arrangements (continued)
These particular principles and provisions of the Code are applied by FirstGroup plc on a comply or explain basis.

They relate, for example, to the role of the FirstGroup plc board in engaging with shareholders, processes for board appointments, succession and evaluation and directors' remuneration. As a subsidiary with no external shareholders, these elements of the Code are not applicable and so were not applied by the Company.

Other parts of the Code can be seen to apply to the Group as a whole, including the Code's focus on promoting long-term sustainable success and contributing to society and the Code's requirement that workforce policies and practices are consistent with the Company's values.

Subsidiary level governance framework
The Board was comprised of 8 directors during the year and their role is to:

- Execute the Company's strategic direction
- Ensure the values and culture aligned with that of the Group
- Establish a framework of prudent and effective controls to enable the Company's risks to be assessed and managed
- Engage effectively with shareholders and stakeholders
- Ensure workforce policies and practices are implemented which are consistent with the values and support the Company's long-term sustainable success
- Ensure there are mechanisms in place that allow the workforce to raise any matters of concern
- Provide effective governance and stewardship of the Company's assets
- Ensure that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulation

The Board will, either directly or through First Rail Holdings Limited, provide papers to the FirstGroup plc Board or FirstGroup plc Board Committees, as appropriate, for consideration and approval. Through the authority delegated from FirstGroup plc, the Company is able to operate our business.

The Board meets on 10 occasions per year and on an ad hoc basis, as dictated by business needs. Papers are circulated in advance and the Company Secretary or the Executive Sponsor are available to brief those directors who are not available to attend meetings in person due to prior unavoidable commitments.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 March 2023

Statement of corporate governance arrangements (continued)

The Board has established the following committees to help it discharge its responsibilities more efficiently:

- Executive Meetings
- Executive Safety Group
- Alliance Governance Board
- Claims Steering Group
- Project Governance Boards
- Quarterly Business Reviews

Employee engagement
Communication with employees is undertaken mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and depot negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests.

The company also holds regular focus groups on pertinent issues. The annual employee survey allows the company to receive direct feedback from its employees in terms of their engagement with the business. This then leads into action plans to build on strengths and to address any weaknesses. The company Reward & Recognition schemes also seek to increase employee engagement.

Disabled persons
The Company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement, which must be met for certain grades of staff. Wherever reasonable and practicable, the Company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

Financial risk management objectives and policies
The Company's principal financial assets are bank balances and trade debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts.
The Company has no significant concentration of credit risk, with exposure spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are banks.
Liquidity within the Company has remained strong throughout the current year due to the nature of the rail industry with the vast majority of turnover transactions paid for in advance. The Company does not enter directly into any derivative financial instruments.

Financial matters
Under FRS 102 the Company has taken advantage of several reduced disclosures. Further information is available within the principal accounting policies section. This position has been agreed with First Rail Holdings Limited, the Company's immediate controlling entity.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 March 2023

Future events
Future events have been considered by the directors within the Strategic report.

Engagement with customers, suppliers and other key stakeholders
The Section 172 report contained within the Strategic report outlines the primary ways in which the Company fosters its business relationships with its key stakeholders.

Streamlined Energy and Carbon Reporting ("SECR") compliance

Details of the Company's Greenhouse gas emissions, energy consumption and energy and emissions reduction initiatives are disclosed on a consolidated basis in the Annual Report of FirstGroup plc.

Directors' indemnities
The Company's ultimate parent company, FirstGroup plc, has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Audit information

Each of the directors at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and were re-appointed at FirstGroup plc's Annual General Meeting on 21 July 2023.

Events after the reporting period
On 11 May 2023, the DfT confirmed that it would not exercise its option to extend the existing arrangements for the Company's NRC, which was due to expire on 28 May 2023. On that date the DfT appointed its Operator of Last Resort to take over delivery of passenger services on the TPE network.

Approved by the Board of Directors

And signed on behalf of the Board

8th Floor
The Point
37 North Wharf Road
London
W2 1AF

Michael Nelson
Director
31 July 2023

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 102 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 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 also 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.

The directors are responsible for the maintenance and integrity of the company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors

And signed on behalf of the Board

8th Floor
The Point
37 North Wharf Road
London
W2 1AF

Michael Nelson
Director
31 July 2023

Independent auditors' report to the members of First Transpennine Express Limited

Report on the audit of the financial statements

Opinion

In our opinion, First Transpennine Express Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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: balance sheet as at 31 March 2023; profit and loss account, 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 3 and 26 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

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

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

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

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

Strategic report and Directors' report

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

In light of the knowledge and understanding of the 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 breaches of health and safety regulations under the Health and Safety At Work Act and The Railway Safety Levy Regulations 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias in determining significant accounting estimates. Audit procedures performed by the engagement team included:

- Obtaining supporting evidence for the significant assumptions and judgements made by management, particularly in respect of pensions accounting and contract and franchise accounting;
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;
- Enquiring with management and those charged with governance to understand the relevant laws and regulations applicable to the company, and their assessment of fraud related risks; and

- Identifying and testing journal entries using a risk based targeting approach including unusual account combinations that could impact revenue.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Victoria Coe

Victoria Coe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
31 July 2023

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2023

	Note	2023 £000	2022 £000
Turnover			
– General	5	443,861	420,899
Other operating income	6	11,646	8,872
		455,507	429,771
Operating costs	7	(444,514)	(421,789)
Total operating costs		(444,514)	(421,789)
Operating profit		10,993	7,982
Interest payable and similar expenses	11	-	-
Interest receivable and similar income	11	670	43
Net interest receivable		670	43
Profit before taxation	12	11,663	8,025
Tax on profit	13	(4,945)	2,562
Profit for the financial year		6,718	10,587

All activities relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2023

	Note	2023 £000	2022 £000
Profit for the financial year		6,718	10,587
Actuarial gain/(loss) due to scheme assets and liabilities	25	106,479	61,581
Actuarial (loss)/gain due to rail franchise adjustment shared cost	25	(106,479)	(61,581)
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		6,718	10,587

BALANCE SHEET
At 31 March 2023

	Note	2023 £000	2023 £000	2022 £000	2022 £000
Fixed assets					
Intangible assets	14		-		197
Tangible assets	15		-		11,903
			-		12,100
Current assets					
Intangible assets	14	26		-	
Tangible assets	15	5,675		-	
Investments	16	-		-	
Stocks	17	261		250	
Debtors	18	105,585		52,772	
Cash at bank and in hand		51,253		50,298	
		162,800		103,320	
Creditors: amounts falling due within one year	19	(183,476)		(97,874)	
Provisions for liabilities: amounts falling due within one year	20	(5,174)		-	
Net current (liabilities) / assets			(25,850)		5,446
Total assets less current liabilities			(25,850)		17,546
Creditors: amounts falling due after more than one year	19		-		(47,298)
Provisions for liabilities: amounts falling due after more than one year	20		-		(2,816)
Pension liability	25		-		-
Net liabilities			(25,850)		(32,568)
Capital and reserves					
Called up share capital	22		-		-
Profit and loss account			(25,850)		(32,568)
Total shareholders' deficit			(25,850)		(32,568)

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

The financial statements of First Transpennine Express Limited (Company Number: 09111801) on pages 20 to 44 were approved by the Board of Directors on 31 July 2023 and were signed on its behalf by:

Michael Nelson
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2023

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' deficit £'000
Balance at 1 April 2021	-	**(43,155)**	**(43.155)**
Total comprehensive income for the financial year	-	10,587	10,587
Balance at 31 March 2022	-	**(32,568)**	**(32,568)**
Total comprehensive income for the financial year	-	6,718	6,718
Balance at 31 March 2023	-	**(25,850)**	**(25,850)**

1 General information

First Transpennine Express Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England, United Kingdom. The registered office address is The Point, 8th Floor, 37 North Wharf Road, London W2 1AF. The nature of the company's operations and its principal activities are set out in the Strategic report on page 1.

2 Statement of compliance

The financial statements of First Transpennine Express Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3 Principal accounting policies

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention, modified to include certain items at fair value in accordance with FRS 102.

These financial statements have been prepared on a basis other than going concern, as described in the Strategic report on page 2 and in note 3 (b) below.

The functional currency of First Transpennine Express Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

(b) Going concern

The Company ceased to operate passenger rail services on 28 May 2023 and these financial statements have been prepared on a basis other than going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All significant operating assets and liabilities of the Company were contractually passed to Transpennine Trains Limited, a subsidiary undertaking of the Secretary of State.

As at 31 March 2023, the Company had net current liabilities of £25.9m (2022: £32.6m).

As disclosed in note 25, Contingent liabilities, the Company has a Funding Deed with its ultimate parent company, FirstGroup plc, for an amount of £63.7m. This enables the Company to complete an orderly wind-down of its assets and liabilities and to settle its debts as they fall due.

Going concern statement

As a consequence of the DfT's decision not to exercise its option to extend TPE's NRC, these financial statements have been prepared on a basis other than going concern.

(c) Exemptions for qualifying entities under FRS 102

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash-flow statement, intra group transactions and remuneration of key management personnel.

3 Principal accounting policies (continued)

(d) Tangible assets and depreciation

Tangible assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost less residual value of tangible assets over the shorter of their estimated useful economic lives or the duration of the contract. Our depreciation policy is as follows:

Plant and equipment - 3 to 10 years straight-line/duration of contract

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets under construction

Assets under construction are stated at cost. These assets are not depreciated until they are available for use.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(e) Intangible assets and amortisation

Intangible assets are stated at cost, net of amortisation and any provision for impairment.

Amortisation is provided to write off the cost less residual value of intangible assets over the shorter of their estimated useful economic lives or the duration of the contract. Our amortisation policy is as follows:

Computer Software - 3 to 5 years straight-line/duration of contract

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(f) Investments

Fixed asset investments are stated at cost, net of any provision for impairment.

(g) Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

3 Principal accounting policies (continued)

(h) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is not provided on temporary differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(i) Turnover

Turnover (Revenue) is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business and is shown net of VAT where appropriate.

Passenger revenue

The Company has one principal class of business, namely, the provision of passenger transport services. Passenger revenues primarily relate to ticket sales and is attributable to the Company predominantly based on models of route usage, by the Railway Settlement Plan. Passenger revenue is recognised at both a point in time and over time. Ticket sales for season tickets, travel cards and open-return tickets are initially deferred then recognised over the period covered by the relevant ticket. Concessionary amounts are recognised in the period in which the service is provided

Rail contract subsidy receipts

The Company's turnover also includes contract subsidy receipts from the Department for Transport (DfT) and amounts receivable under contract arrangements including certain funded operational projects. Amounts receivable from the DfT are set out in the contract agreement for each year of the contract, but have been adjusted to reflect arrangements under the ERMA and NRC. Net ERMA/NRC funding including management and performance fees are recognised as revenue in Rail contract subsidy receipts as well, in line with other contract subsidy receipts from the DfT.

The Company recognises other revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the Company's sales channels have been met.

Turnover from non-passenger receipts include rents receivable on property, commission on ticket sales, advertising receipts and other sundry income.

(j) Financial assets and liabilities

All financial assets and liabilities are measured at transaction price (including transaction cost). All the financial assets and liabilities are classified as 'basic' under Section 11 & 12 of FRS 102. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method.

3 Principal accounting policies (continued)

(k) Impairment of investments and tangible fixed assets

At each balance sheet date, the company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

(l) Impairment of financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

(m) Stocks

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving or defective items where appropriate.

(n) Pension costs

Company specific schemes

The Company participates in the Railways Pension Scheme (RPS), which is an industry-wide defined benefit scheme. The Company is obligated to fund the relevant section of the scheme over the period for which the NRC is held. The full liability is recognised on the balance sheet, which is then reduced by a contract adjustment so that the net liability reflects the Company's obligations to fund the scheme over the contract term, subject to any changes in the schedule of contributions following a statutory valuation.

The amounts charged to operating profit regarding the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Where changes to the benefits in payment on defined benefit pension schemes require a change in scheme rules or ratification by the Trustees, the change is recognised as a past service charge or credit in the income statement.

3 Principal accounting policies (continued)

(n) Pension costs (continued)

Company specific schemes (continued)

Where changes in assumptions can be made without changing the Trustee agreement these are recognised as a change in assumption in other comprehensive income. The interest cost on the net pension scheme liability is shown in net interest receivable/(payable). Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other assets on the face of the balance sheet.

The Company also operates a defined contribution scheme for all qualifying members. Expenses from the schemes are charged to the profit and loss account.

Rail Contract adjustment

In calculating the Company's pension obligation in respect of the Railway Pension Scheme (RPS), the Company's total pension deficit in accordance with FRS 102 Section 28 has been calculated.

This deficit is reduced by a 'contract adjustment' which is that portion of the deficit which is projected to exist at the end of the contract and for which the Company is not required to fund. The contract adjustment, which has been calculated by FirstGroup plc's actuaries, is offset against the present value of the RPS liabilities so as to fairly present the financial performance, position and cash flow of the Company's obligations. Allowance is also made in the preparation of the financial statements for the cost sharing nature of the benefit and, in particular, only 60% of the total profit and loss charge and balance sheet position are attributed to the Company and recognised in the financial statements.

(o) Share based payments

The Company's ultimate parent issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of share that will eventually vest and is adjusted for the effects of non-market-based vesting conditions.

Fair value is measured by use of a Black-Scholes model or other appropriate valuation models. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(p) Grants and subsidies

Government grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to assets are recognised in "other operating income" within profit or loss on a systematic basis over the expected useful life of the assets concerned. All other grants are recognised in other operating income within profit or loss in the same period as the related expenditure. Other than as disclosed in note 6, the Company has not directly benefited from any other forms of government assistance.

3 Principal accounting policies (continued)

(q) Future ticket deferral

Where season tickets or railcards are issued in excess of one week's duration, the attributable share of income is deferred within creditors and is recognised in the profit and loss account over the period covered by the season ticket or railcard. Income from advanced purchase and other ticket types is recognised in the profit and loss account on the date of travel.

(r) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that the Company will be required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. Provisions are split between those falling due within one year and those falling due after more than one year.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies as described above, management have made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements.

(i) Critical accounting judgements

Defined benefits pension arrangements

The Company is a member of a defined benefit pension scheme, which is funded. All eligible employees are offered membership of the Railways Pension Scheme (RPS), which covers the whole of the UK rail industry.

In contrast to the pension schemes operated by most businesses the RPS is a shared cost scheme which means that costs are formally shared 60% employer and 40% employee. At the end of the contract term, responsibility for funding the relevant section of the scheme, and consequentially any deficit or surplus existing at that date, is passed to the next operator of the contract.

The Company only recognises amounts in relation to its share of costs in the income statement. The RPS is partitioned into sections and the Company is responsible for the funding of these sections while it operates the contract.

At the end of the franchise term, responsibility for funding the relevant section of the scheme, and consequentially any deficit or surplus existing at that date, is passed to the next franchisee. At each balance sheet date, a franchise adjustment is recognised against the FRS 102 net pension asset or liability to reflect that portion expected to pass to the next franchisee. As there is no requirement to make contributions to fund the current deficit, it is assumed that all of the current deficit will be funded by another party and hence none of that deficit is attributable to the current franchisee.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

(i) Critical accounting judgements (continued)

Defined benefits pension arrangements (continued)

In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in future, which is recognised as an adjustment to service cost in the income statement. Under circumstances where contributions are renegotiated, such as following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through other comprehensive income. The Directors consider this to be the most appropriate interpretation of FRS 102 to reflect the specific circumstances of the RPS where the contract commitment is only to pay contributions during the period in which we run the contract.

The pension scheme retirement benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high-quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Management follows actuarial advice from a third party when determining these judgements. Another key judgement is the longevity of members.

We take specialist advice on this from our actuarial advisors which aims to consider the likely experience taking into account the scheme's characteristics. Our approach is to review these assumptions for the scheme following completion of their funding valuations, and more frequently only if appropriate to do so.

The Pension Regulator (TPR) has been in discussions with the RPS (the Scheme) regarding the long-term funding strategy of the Scheme. Whilst TPR believe that a higher level of funding is required in the long term, it is not possible at this stage to determine the impact to ongoing contribution requirements.

(ii) Key sources of estimation uncertainty

Contract accounting

Regular forecasts are compiled on the outcome of these types of accounting estimates and contracts, which requires assessments and estimates relating to the expected level of revenue and costs included.

Estimates are made on an ongoing basis about the recoverability of amounts due and the carrying value of assets and liabilities arising from the Company's NRC and long-term contracts.

The useful economic life of assets is determined by reference to the length of the NRC and matched to the NRC end date. The residual value of the assets is determined by their condition at the NRC end date and the amount of maintenance that has been carried out during the period of operation.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

(ii) Key sources of estimation uncertainty (continued)

Contract accounting (continued)

The Company has a number of contractual relationships including those with the DfT and Network Rail. Due to the regulated nature of the rail industry, disputes and claims typically arise with such bodies as well as other TOCs where one or more TOC has access to shared infrastructure such as railway lines. Management is required to estimate the amount receivable and also payable taking account of the information available at the time.

The Company has received contractual and direct fiscal support as a result of coronavirus. The key fundamental principle to the basis of preparation of the financial statements is that this support will continue to be provided.

Under the NRC all revenue and cost risk transferred to the government. The Company is paid a management fee to continue running a revised National Rail timetable.

Net NRC funding, including the management fee, is recognised as revenue in Rail contract subsidy receipts, in line with the revenue recognition policy for contract subsidy receipts from the DfT. The financial statements for the year ended 31 March 2023 have been prepared on the basis that the NRC continued until 28 May 2023. Turnover received under the NRC for the year ended 31 March 2023 was £247.3m (2022: £259.3m received under the ERMA / NRC).

5 Turnover

Turnover represents the amounts receivable for services supplied to customers during the year and includes amounts receivable for tendered services and concessionary fare schemes.

The turnover derives from the Company's principal activity within the United Kingdom. The Company has one principal class of business, namely, the provision of passenger transport services. Other revenue includes rents receivable on property, commission on ticket sales, advertising receipts, grant amortisation and other sundry income.

Turnover can be analysed as follows:

	2023	2022
	£000	£000
Passenger receipts	183,278	151,932
Traincrew services	-	768
Revenue subsidy	247,323	259,259
Other revenue	13,260	8,940
	443,861	420,899

6 Other operating income

	2023	2022
	£000	£000
Capital Grant Income	11,646	8,872
	11,646	8,872

Other operating income represents the amortisation of government grants related to capital schemes released to profit and loss account during the year.

7 Operating costs

	2023 £000	2022 £000
Station & track access and facilities	66,666	67,695
Rolling stock lease costs	60,082	59,246
Staff costs (note 8)	96,608	93,018
External charges	209,488	192,954
Intangible asset amortisation (note 14)	171	372
Tangible asset depreciation (note 15)	11,475	8,475
Loss on disposal of assets	24	29
	444,514	421,789

Rolling stock lease costs include the capital rent under the lease agreements only. Other rolling stock charges and fuel costs are included in External charges.

8 Employee numbers and costs

The average periodic number of persons employed by the Company (including directors) during the 13 rail periods of the year was as follows:

	2023 Actuals	**2022 Actuals**	**2023 FTE**	**2022 FTE**
Traincrew including traincrew management	710	649	705	644
Customer service	603	611	588	596
Administration	292	251	280	236
	1,605	1,511	1,573	1,476

The aggregate payroll costs of these persons were as follows:

	2023 £000	2022 £000
Wages and salaries	82,232	79,435
Social security costs	9,160	8,681
Other pension costs	5,216	4,902
	96,608	93,018

9 Directors' remuneration

Certain directors (Clive Burrows, Hugh Clancy, Stephen Montgomery and Michael Nelson) received remuneration from First Rail Holdings Limited, the immediate parent company, in the current and previous years, details of which are disclosed in its report and financial statements.

These directors have not performed any qualifying services on behalf of the Company during the current and prior year. Details of retirement benefits accruing to the directors under the group defined benefit schemes are detailed in the financial statements of FirstGroup plc.

9 Directors' remuneration (continued)

The remuneration of the directors paid by the Company during the year was as follows:

	2023 £000	2022 £000
Aggregate emoluments (excluding pension contributions)	738	526
Contributions to defined benefit schemes	44	40

Directors' emoluments include salary, fees, bonuses, sums paid by way of expense allowances subject to UK income tax and the money value of other non-cash benefits and exclude share options, company pension contributions and payments made under long-term incentive schemes.

The emoluments of the highest paid director amounted to:

	2023 £000	2022 £000
Aggregate emoluments	326	229
Defined benefit scheme		
Accrued pension at year end	6	3
Accrued lump sum at end of year	4	2

The highest paid director is entitled to receive shares under the FirstGroup long-term incentive plan. Certain share options were exercised during the year by the highest paid director.

10 Share based payments

Save as you earn (SAYE)

The Company's ultimate parent company operates an HMRC approved savings-related share option scheme. The scheme is based on eligible employees being granted options and their agreement to opening a share save account with a nominated savings carrier and to save weekly or monthly over a specified period. Share save accounts are held with Computershare. The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months. Details of the share options outstanding during the year are disclosed in the published financial statements for FirstGroup plc.

Buy as you earn (BAYE)

BAYE enables eligible employees to purchase shares from their gross income. The Company provides two matching shares in FirstGroup plc for every three shares bought by employees, subject to a maximum Company contribution or shares to a value of £20 per employee per month. If the shares are held in a trust for five years or more, no income tax or national insurance will be payable. The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award.

The group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The Company has recognised a total expense of £460,000 (2022: £124,000) relating to equity-settled share-based payment transactions.

10 Share based payments (continued)

	2023	2022
	£000	£000
Total expense recognised in the profit and loss account	460	124
Contribution paid to First Rail Holdings Limited (parent company)	(460)	(124)
Credited to shareholders' deficit	-	-

Share-based payment expense comprises costs arising from FirstGroup plc shares schemes including Save As You Earn, Employee Share Plan and Deferred Bonus Shares. Further details on these share schemes can be found in the FirstGroup plc Annual Report and Financial statements.

11 Net interest receivable

	2023	2022
	£'000	£'000
Interest payable and similar expenses		
Unwind of discount on contract provision	-	-
Interest payable and similar charges	-	-
Interest receivable and similar income		
Bank interest receivable	670	43
Interest received on inter-company	-	-
Interest receivable and similar income	670	43
Net interest receivable	670	43

12 Profit before taxation

	2023	2022
	£000	£000
Profit before taxation is stated after charging:		
Auditors' remuneration		
-Audit fee for the audit of the annual accounts	210	201
Depreciation on tangible owned assets	11,475	8,475
Intangible asset amortisation	171	372
Rentals payable under operating leases		
- Property	285	271
- other operating leases	116,428	113,291

In accordance with SI 2008/489, the Company has utilised the exemption to not disclose the fees payable to the Company's auditors for services other than the statutory audit of the Company, as this information for non-audit fees is included in the consolidated financial statements of the ultimate parent company, FirstGroup plc.

Other operating lease costs also include costs under contracts with Network Rail and rolling stock companies.

13 Tax on profit

	2023 £000	2022 £000
Current taxation		
- Group Relief payable / (receivable)	1,335	(471)
- Adjustment in respect of prior years	3,111	(758)
Total current taxation	4,446	(1,229)
Deferred taxation		
- Origination and reversal of timing differences	925	2,004
- Recognition of previously unrecognised tax losses	(298)	(3,325)
- Adjustment in respect of prior years	(128)	(12)
Total deferred taxation	499	(1,333)
Total tax charge / (credit) on profit	4,945	(2,562)

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2022: 19%).

The actual current tax charge for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation:

	2023 £'000	2022 £'000
Profit multiplied by standard rate of corporation tax in the United Kingdom of 19% (2022: 19%)	2,216	1,525
Expenses not deductible for tax purposes	44	8
Prior year adjustments	2,983	(770)
Recognition of previously unrecognised tax losses	(298)	(3,325)
Total tax charge / (credit)	4,945	(2,562)

From 1 April 2023 the corporation tax rate will increase to 25% and deferred tax has been provided at 25% on temporary differences at the balance sheet date. The closing deferred tax asset is expected to unwind and reduce the charge to corporation tax by £1,268,000 in the next year.

14 Intangible assets

	Computer software
Cost	£000
At 1 April 2022	1,288
Additions	-
At 31 March 2023	1,288
Accumulated amortisation	
At 1 April 2022	1,091
Charge for year	171
At 31 March 2023	1,262
Net book value	
At 31 March 2022	197
At 31 March 2023	26

Computer software is recognised separately as an intangible asset and is carried at cost less accumulated amortisation. Costs include software licenses, website development, costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the software.

15 Tangible assets

	Plant and equipment £000
Cost	
At 1 April 2022	38,686
Additions	5,293
Disposal	(662)
At 31 March 2023	43,317
Accumulated depreciation	
At 1 April 2022	26,783
Charge for year	11,475
Disposal	(616)
At 31 March 2023	37,642
Net book value	
At 31 March 2022	11,903
At 31 March 2023	5,675

Included in plant and equipment is £2,075k (2022: £499k) of assets under construction, which are not depreciated until they are brought into use. This primarily relates to station, automatic ticket gatelines, ticket vending machines and traincrew accommodation improvement works.

16 Investments

The company held the following unlisted investments at 31 March 2023 and 31 March 2022: one ordinary share of 4p each in the issued ordinary share capital of ATOC Limited, Rail Settlement Plan Limited and Rail Staff Travel Limited; one ordinary share of £1 each in the issued ordinary share capital of NRES Limited and Train Information Systems Limited.

The holdings represent 5% of the total issued ordinary share capital for each of these entities, which provide a range of services to all UK passenger rail operators.

17 Stocks

	2023 £000	2022 £000
Fuel	261	250

18 Debtors

	2023 £000	2022 £000
Amounts due within one year		
Trade debtors (including amounts recoverable from Network Rail)	51,383	24,345
EMA/ERMA/NRC funding	27,286	18,037
Amounts owed by group undertakings	30	787
TRU funding	5,850	-
Other debtors (primarily VAT)	12,426	3,055
Deferred tax asset (note 21)	1,268	1,767
Group tax relief	-	1,467
Corporation tax	95	2,438
Prepayments and accrued income	7,247	876
	105,585	52,772

Trade debtors are stated after provisions for impairment of £740k (2022: £1.2m). Trade debtors includes £Nil (2022: £Nil) falling due after more than one year.

19 Creditors

	2023 £000	2022 £000
Amounts falling due within one year		
Trade creditors	23,907	19,396
Amounts owed to group undertakings	44,605	4,744
Other taxation and social security	2,525	1,886
Other creditors	42,396	1,478
Group tax relief	1,881	-
Accruals	50,076	47,760
Deferred income	18,086	22,610
	183,476	97,874
Amounts falling due after more than one year		
Amounts owed to group undertakings	-	45,913
Deferred capital income	-	1,385
	-	47,298
	183,476	145,172

During the current year a repayment of the parent company support loan was made, bringing the overall total to £34.7m (2022: £45.9m). There is no interest on the loan and no repayment schedule.

During the year, a working capital payment of £41.6m (2022: £Nil) was provided by the Secretary of State as the forecasted closing cash position for Period 10 was less than the floor cash position. This amount is repayable within one year and include with other creditors.

All other intercompany transactions are payable within 28 days and are interest-free.

20 Provisions for liabilities

Amounts falling due within one year	2023 £000	2022 £000
Dilapidation obligation	(5,174)	-
At 31 March	(5,174)	-

Amounts falling due after more than one year	2023 £000	2022 £000
Other obligations	-	(2,816)
At 31 March	-	(2,816)

Total Provision for liabilities and charges	(5,174)	(2,816)

At 31 March 2023, other obligations includes dilapidation provisions for the class 185, 397, 802, 68 and Mark5 train fleets of £2.555m (2022: £1.478m) as well as remaining liabilities at office and traincrew locations around the network of £2.619m (2022: £1.309m). The remainder of the prior year balance of £29k relates to obligations as a result of entering into the NRC as the company still had liabilities for performance and parent company support bond fees that were in existence under the old franchise agreement.

21 Deferred taxation

	£000
Asset at 1 April 2022	1,767
Charged to Profit and Loss Account	(499)
Asset at 31 March 2023	1,268

The deferred tax asset comprises:

	2023 £000	2022 £000
Capital allowances less than depreciation	608	217
Other timing differences	452	125
Losses	208	1,425
Deferred tax asset	1,268	1,767

£21.2m of losses have not been recognised for deferred tax, as there may not be sufficient future profits to offset these losses.

22 Called up share capital

	2023 £	2022 £
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

The share carries no right to fixed income nor confers any rights of redemption.

23 Commitments

Capital commitments

Capital commitments at the end of the year for which no provision has been made are as follows:

	2023 £'000	2022 £'000
Contracted for but not provided	374	962

Capital commitments relate to tangible fixed assets, primarily accommodation and platforms expansion programmes.

Operating leases

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 £000	2022 £000
Operating leases which expire:		
Within one year	19,158	113,910
Between one and five years	-	18,348
	19,158	132,258

23 Commitments (continued)

Included in the above commitments within one year are contracts with Network Rail and Siemens for access to the railway infrastructure track, stations and depots of £9.7m (2022: £54.8m) and property lease of £0.04m (2022: £0.5m).

24 Contingent liabilities

Under the existing Funding Deed, FirstGroup plc has agreed to provide a Parent Company Guarantee (PCG) of £63.7m (2022: £63.7m), of which £31.3m (2022: £42.5m) has been advanced with £11.2m (2022: £4.7m) repaid during the year, leaving a remaining facility of £32.4m (2022: £21.2m).

Under the NRC there are further facilities in place of up to a £1.6m Parent Company Guarantee Facility of which £0.8m (50%) is bonded and a £5m Early Termination indemnity Agreement Facility of which £2.5m (50%) is bonded.

Both facilities can be called if events generate a required PCG Amount. The required PCG Amount calculation is equal to the Potential or Actual Annual Losses.

25 Pension liability

Railways Pension Scheme - TransPennine Express Section

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss account in the period ended 31 March 2023 was £0.1m (2022: £0.1m).

Defined benefit schemes

The company is a member of a defined benefit pension scheme, which is funded. All eligible employees are offered membership of the Railways Pension Scheme (RPS).

Under the terms of the RPS the employer (60%) and the employees (40%) share any fund deficit. The operating cost relating to this scheme in the year was £5.2m (2022: £4.8m).

The company's responsibility is to pay the contributions following triennial funding valuations whilst it operates the NRC.

These contributions are subject to change on consideration of future statutory valuations. In addition, at the end of the NRC, any deficit or surplus in the scheme section passes to the subsequent operator of the contract with no compensating payments from or to the outgoing contract holder.

The scheme is valued triennially, when the cost of the future service is calculated, and the funding position established. The last valuation of the scheme was carried out by independent actuaries as at 31 December 2013 by James C Wintle in respect of the costs used in these financial statements.

25 Pension liability (continued)

Defined benefit schemes (continued)

A draft actuarial valuation at 31 December 2016 was completed during 2017 and there was a legal obligation to finalise the valuations and schedules of contributions before the statutory deadline of 31 March 2018. Discussions with the Pensions Regulator, and other stakeholders, in relation to the Pensions Act valuation for all Railway Pensions Schemes for the Train Operating Companies are still ongoing and this process is likely to continue for some time. Until the valuation is complete, the investment strategy and the cash contributions remain unchanged from those agreed as part of the 2013 valuation. The 2022 valuation is progressing and has been updated for 31 March 2023; at this date the market value of the scheme's assets totalled £239.1m (£89.4m for the former First North Western section and £149.7m for the former Arriva Trains Northern section). The actuarial value of these assets was sufficient to cover 89% (2022: 67%) of the benefits, which had accrued to the scheme's members.

Contributions are paid to the scheme at rates recommended by the actuaries and the assets of the scheme are held in a separately administered trust. The scheme's assets are held and managed independently of the Company's finances by independent investment managers appointed by the trustees of the scheme. Members of the scheme are classified as either Category 60 or Category 62 members (as defined in the Rules of the Scheme).

The table below outlines the current contribution rates for the Category 60 and 62 members of both Sections.

	Former First North Western Trains Shared Cost Section				Former Arriva Trains Northern Shared Cost Section			
	Category 60	Category 60	Category 62	Category 62	Category 60	Category 60	Category 62	Category 62
	2023	2022	2023	2022	2023	2022	2023	2022
Employees %	7.62	7.62	6.58	6.58	7.75	7.75	6.71	6.71
Employers %	11.44	11.44	9.88	9.88	11.63	11.63	10.07	10.07
Total	**19.06**	**19.06**	**16.46**	**16.46**	**19.38**	**19.38**	**16.78**	**16.78**

The accounting treatment for the time-based risk-sharing feature of the Company's participation in the RPS is not explicitly considered under FRS 102. 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 FRS 102 and. the company does not account for uncommitted contributions towards its current or expected future deficits. Therefore, the company does not need to reflect any deficit on its balance sheet.

A contract adjustment (asset) exists that exactly offsets any section deficit that would otherwise remain after reflecting the cost sharing with the Company's members.

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 contract and committed contributions. The contract adjustment on the balance sheet date reflects the extent to which the Company is not currently committed to fund the deficit.

The actuarial assumptions used in determining the last full actuarial valuation (31 December 2013) were that the rate of return on investments will be 7.59% per annum; the rate of earnings increase will be 3.43% per annum and the rate of inflation will be (RPI/CPI) 3.30%/2.93% per annum. The valuation was made using the projected unit method.

25 Pension liability (continued)

Defined benefit schemes (continued)

At the previous year end, we noted that The Pensions Regulator (TPR) had been in discussion with the RPS (the Scheme) regarding the assumptions used to determine the scheme's funding requirements. Discussions are ongoing, and the possibility remains of changes to contributions that could impact all rail operators sponsoring this industry-wide scheme.

Financial assumptions

The main financial assumptions used in this update were as follows:

	2023	2022
	£000	£000
Rate of increase in salaries	3.22%	3.43%
Rate of increase of pensions in payment	2.72%	2.93%
Rate of increase of pensions in deferment	2.72%	2.93%
Discount rate	4.80%	2.83%
Inflation assumption – RPI	3.00%	3.30%
Inflation assumption – CPI	2.72%	2.93%

Mortality assumptions

The assumptions made for current mortality reflect broadly the current experience. This takes into account size of pension and geographic location. An allowance is made for future improvements, based on information currently available on mortality trends.

Post-retirement mortality (life expectancy in years): current pensioners at 65, 20.7 years (2022: 20.6 years); future pensioners at 65 aged (45 now), 22.2 years (2022: 22.1 years).

Asset values

The breakdown of the asset fair value by asset type is as follows:

	2023	2022
	£000	£000
Real Estate	27,808	29,006
Equity	132,708	141,643
Cash and cash equivalents	1,430	815
Other return seeking assets[1]	77,161	70,896
	239,107	242,360

[1] The section is invested in Railpen pooled funds. The main investment is in the Growth Pooled Fund, the purpose of which is to invest in a wide range of return-seeking assets across different financial markets and economies in order to deliver high long-term real returns (RPI + 4% pa) over a rolling 5 to 10-year period. As at the reporting date, the Growth Pooled Fund was invested predominantly in a range of Equity investments.

The value of private/illiquid assets held by the Railways Pension Scheme and included in these statements include 31 December 2022 assets totalling £52.3m (31 December 2021: £48.2m) which have been adjusted for cash inflows and outflows to 31 March 2023 (31 March 2022). Applying any form of adjustment to these assets is highly subjective and, in any case, would have a negligible impact on the deficit due to the shared cost and franchise adjustments applied. As such we have retained the valuations provided directly by the investment manager. As a result, the actual assessed value of those assets as at 31 March 2023 may differ from the figure reported in these financial statements.

25 Pension liability (continued)

Defined benefit schemes (continued)

Reconciliation of movements

	Assets £000	Liabilities £000	Shared cost £000	Franchise impact £000	Net £000
Balance sheet at 1 April 2021	211,327	(370,583)	63,702	95,554	-
Income Statement					
Operating					
- Service cost	-	(24,355)	9,742	10,254	(4,359)
- Administration cost	-	(821)	328	-	(493)
- Past service gain including curtailments	-	-	-	-	-
Total Operating cost	-	(25,176)	10,070	10,254	(4,852)
Financing	4,463	(7,303)	1,136	1,704	-
Total Income Statement	4,463	(32,479)	11,206	11,958	(4,852)
Amounts from / (paid to) scheme					
Employer contributions	4,852	-	(1,941)	1,941	4,852
BRASS matching contributions	-	-	-	-	-
Employee contributions	3,173	-	(1,269)	(1,904)	-
Benefits paid	(5,005)	5,005	-	-	-
Total	3,020	5,005	(3,210)	37	4,852
Expected closing position	218,810	(398,057)	71,698	107,549	-
Gains / (Losses)					
Change in financial assumptions	-	39,748	(15,899)	(23,849)	-
Change in demographic assumptions	-	-	-	-	-
Return on assets in excess of discount rate	23,550	-	(9,420)	(14,130)	-
Experience	-	(1,717)	687	1,030	-
Total	23,550	38,031	(24,632)	(36,949)	-
Balance sheet at 31 March 2022	242,360	(360,026)	47,066	70,600	-

25 Pension liability (continued)

Defined benefit schemes (continued)

Asset values (continued)

Reconciliation of movements (continued)

	Assets £000	Liabilities £000	Shared cost £000	Franchise impact £000	Net £000
Balance sheet at 1 April 2022	242,360	(360,026)	47,066	70,600	-
Income Statement					
Operating					
- Service cost	-	(22,690)	9,076	8,799	(4,815)
- Administration cost	-	(717)	287	-	(430)
- Past service gain including curtailments	-	-	-	-	-
Total Operating cost	-	(23,407)	9,363	8,799	(5,245)
Financing	7,014	(9,752)	1,095	1,643	-
Total Income Statement	7,014	(33,159)	10,458	10,442	(5,245)
Amounts from / (paid to) scheme					
Employer contributions	5,245	-	(2,098)	2,098	5,245
BRASS matching contributions	-	-	-	-	-
Employee contributions	3,444	-	(1,378)	(2,066)	-
Benefits paid	(8,689)	8,689	-	-	-
Total	-	8,689	(3,476)	32	5,245
Expected closing position	249,374	(384,496)	54,048	81,074	-
Gains / (Losses)					
Change in financial assumptions	-	140,966	(56,386)	(84,580)	-
Change in demographic assumptions	-	-	-	-	-
Return on assets in excess of discount rate	(10,267)	-	4,107	6,160	-
Experience	-	(24,220)	9,688	14,532	-
Total	(10,267)	116,746	(42,591)	(63,888)	-
Balance sheet at 31 March 2023	239,107	(267,750)	11,457	17,186	-

26 Events after the reporting period

On 11 May 2023, the DfT confirmed that it would not exercise its option to extend the existing arrangements for the Company's NRC, which was due to expire on 28 May 2023. On that date the DfT appointed its Operator of Last Resort to take over delivery of passenger services on the TPE network.

All significant operating assets and liabilities of the Company were contractually passed to Transpennine Trains Limited, a subsidiary undertaking of the Secretary of State. No material adjustments arose to the carrying value of assets and liabilities from this transfer.

27 Ultimate parent Company

The directors regard FirstGroup plc, a Company incorporated in The United Kingdom and registered in Scotland, as the ultimate parent and controlling Company, which is the smallest and largest group that includes the Company's results and for which group financial statements are prepared.

The Company's immediate controlling party is First Rail Holdings Limited.

Copies of the financial statements of FirstGroup plc can be obtained on request from The Point, 37 North Wharf Road, Paddington, London W2 1AF.