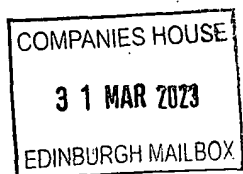


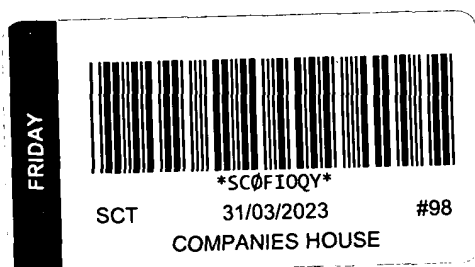
Registration number: SC450732 (Scotland)



Abellio ScotRail Ltd

Annual report and statutory financial statements

for the year ended 31 March 2022



Abellio ScotRail Ltd

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Abellio ScotRail Ltd

Company information

Directors	D D G Booth P Wright D A Kaye
Company secretary	Brodies Secretarial Services Limited
Registered office	Culzean Building 36 Renfield Street Glasgow United Kingdom G2 1LU
Bankers	HSBC 8-12 Queen Victoria Street London United Kingdom EC4N 4TQ
Auditor	Ernst & Young LLP Statutory Auditor 2 St Peter's Square Manchester United Kingdom M2 3DF

Abellio ScotRail Ltd

Strategic report

For the year ended 31 March 2022

The Directors present their strategic report and financial statements of Abellio ScotRail Ltd (the 'Company') for the year ended 31 March 2022.

Business model

The Company operated under a Franchise Agreement awarded by Transport Scotland, with the contract commencing on 1 April 2015. Prior to this date, the Company did not trade. The Company operated trains and managed stations, working with key partners including Network Rail, who maintain and control the railway infrastructure, and rolling stock companies who own the trains the Company leases. In December 2019, Transport Scotland announced that they would enact a break clause in the original Franchise Agreement, therefore these activities ceased at the end of the financial year, on 31 March 2022.

Business review and results

The reporting period of this Annual report and Statutory financial statements is a twelve-month period which commenced on 1 April 2021 and ended 31 March 2022.

As noted above, Transport Scotland announced that they would enact the break clause in the original Franchise Agreement which led to an expectation that the Company would cease to trade on 31 March 2022. This expectation was confirmed when it was announced to the Scottish Parliament on 17 March 2021, that Scottish Ministers had decided that from 1 April 2022 a Successor Operator will take over the running of the ScotRail Services. The Successor Operator is ScotRail Trains Limited ("SRT"), a company that is ultimately within public ownership.

Key achievements for 2021/2022 include multiple timetable changes and Abellio ScotRail Ltd played a critical role in helping the country work through the pandemic, and through a very strong partnership with Transport Scotland and Network Rail Scotland ("NWR"), the company supported the economy by making changes to meet the different travel patterns throughout the varying lockdown restrictions. Investment continued through the period, with the multi-million-pound station investment projects to refurbish the Motherwell and Aberdeen stations continuing.

In November 2021, the COP26 summit in Glasgow gave renewed momentum on the journey to net zero, on the contribution that rail makes to our green recovery, and ultimately to tackling global warming. There were significant steps made during the financial statement period by Abellio ScotRail Ltd to contribute to the green recovery, such as the proposals for the May 2022 timetable under ScotRail Trains Limited, providing a new foundation for ScotRail Trains Limited to build on, as Scotland's railway continues to recover and create a greener, more sustainable railway.

Abellio ScotRail Ltd, along with its parent, provided substantial support to ensure that the mobilisation and transition of ScotRail services to ScotRail Trains Limited was a success, at a time of significant change. This involved working closely with Transport Scotland and their advisors to ensure a smooth transition was made on 1 April 2022 for all staff, passengers and other key stakeholders to ScotRail Trains Limited.

During the seven years of trading, Abellio ScotRail delivered a railway that Scotland can be proud of. While at times this change has been difficult, ultimately, 70 new Class 385 Hitachi electric trains are in service, Scotland's seven cities are now all served by high-speed InterCity services, while punctuality and reliability have been consistently meeting targets in recent years. Passengers noticed all of this, with a big rise in customer satisfaction in the last National Rail Passenger Survey completed.

Abellio ScotRail Ltd

Strategic report (continued) For the year ended 31 March 2022

Business review and results (continued)

The Company previously entered into Emergency Measures Agreements ("EMA") 1 and 2, which were amendments to the underlying Franchise Agreement with Transport Scotland, effective from 1 March 2020 until 31 March 2021. The EMAs ensured that as far as possible, operational performance and the provision of passenger services were maintained, and that Abellio ScotRail Ltd were insulated as far as was reasonable, from the ongoing financial impacts of COVID-19. A further Emergency Measures Agreement 3 ("EMA3") was entered into on 31 March 2021 which covered the period 1 April 2021 through to 18 September 2021, which was then extended through to 26 February 2022. The EMA3 continued to provide assurance over Abellio ScotRail Ltd's operational performance as well as its ability to meet its financial obligations as they fall due, with Transport Scotland undertaking revenue and cost risk and providing the financial support needed to continue operations.

The Company continued to work alongside Transport Scotland in order to ensure that the support provided was extended through to the end of the franchise term on 31 March 2022. The Company entered into a Temporary Measures Agreement ("TMA") on 25 February 2022, which covered 27 February 2022 to the franchise end date of 31 March 2022.

As the Company has come to the end of the franchise term, continual assessments have been made on the recoverability of assets held, leading to adjustments being recorded in the income statement, as required. Furthermore, a performance fee has been received for the Company's strong performance in the year under EMA and TMA terms. These factors have resulted in an operating loss for the period of £19.3m (loss in 2021: £9.3m).

Other financial results include; Revenue for the year was £929.9m (2021: £931.3m) which included £729.5m (2021: £853.7m) of franchise subsidy from Transport Scotland and passenger income of £187.5m (2021: £53.5m). The reduction in franchise subsidy from Transport Scotland in the reporting period represents the increase in passenger income attributable to the increase in journeys as a result of revised travel restriction measures in the current period. The loss after taxation for the year was £16.3m (2021: £26.2m).

The Company's net liabilities at the balance sheet date were £104.2m (2021: £91.5m). Included in the net liabilities position as at the balance sheet date are the loan balances due to related parties totaling £89.7m (2021: £89.7m) which are detailed in note 20. The Directors expect that the Company will be able to meet their financial obligations, with the exception of the related party loans, as they fall due.

Key performance indicators ("KPIs")

The Company measures its performance based on a balanced scorecard of indicators.

Customers were at the heart of the Company's business and customer satisfaction was measured through the National Rail Passenger Survey ("NRPS"). The NRPS is the independent measurement of service quality standards. The Company's overall NRPS score was last measured at 90 per cent in the Spring 2020 survey. NRPS measurements were subsequently suspended due to the COVID-19 pandemic with no industry agreed replacement having been put into place.

Operational performance is measured through the Public Performance Measure ("PPM") which is measured on a rolling 12 month moving annual average ("MAA") basis. During the twelve-month period ended 31 March 2022 the Company achieved a PPM MAA of 90.2% (31 March 2021: 93.1%). The drop in PPM reflected significant periods of adverse weather that had a significant impact on the infrastructure across the country. Additionally, significant changes to COVID-19 testing requirements, and self-isolation for close contacts, had a significant impact on the ability to operate services in December 2021 and January 2022.

The financial performance of the Company is measured by profit, with the results for the period set out above within the business review and results section.

During the franchise, the safety of the Company's employees and customers was of critical importance to the business. We worked with our partners, British Transport Police, Network Rail, Transport Scotland and other key stakeholders, to ensure employees and customers returned 'Home Safe, Every Day'.

Abellio ScotRail Ltd

Strategic report (continued) For the year ended 31 March 2022

Key performance indicators ("KPIs") (continued)

Our people were vital to the delivery of the Company's business strategy and objectives, and it measures performance in a number of ways. The key employee-related performance metric was employee attendance, which was 92.07% in the period to 31 March 2022 (2021: 92.03%). The pandemic has profoundly increased our overall absence for the year with COVID-19 related absence averaging 2% across the year. All other absence excluding COVID-19, was 5.93% (2021: 4.32%). Our second largest employee absence driver in the year was stress/mental health with some of this coming directly from COVID-19. The business increased mental health awareness, through our Mental Health First Aiders and the range of confidential support available from our occupational health and specialist providers to support all colleagues across the business.

Under EMA3 and TMA, the 3 previous KPI categories (Operational Performance, Customer Experience and Good & Efficient Operator) were replaced with the following categories:

- Operational Performance;
- Passenger Experience;
- Driving Cost Efficiency;
- Collaborative Working; and
- Service Quality.

Financial instruments

The Company's principal financial assets are bank balances and trade receivables. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of any identified impairment or expected credit loss. The expected credit loss method has been used, in line with IFRS 9, to consider the Company's exposure to credit risk (see note 3). The Company has no significant credit risk, with exposure mainly on rail industry partners. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. To protect cash flows, the Company entered into commodity swap contracts to hedge a proportion of its exposures to fuel price during the financial statement period. Given the financial statement period end date was as at the end of the ScotRail franchise date, all commodity swap contracts were fully exercised at this date. The Company's principal financial liabilities are trade and intercompany creditors.

Principal risks and uncertainties

The Company's principal risks and uncertainties were significantly reduced after the transfer of significant assets and liabilities to Scotrail Trains Limited on 1 April 2022. The Company remains liable for events up to that date. The Company's future cash flows are based upon settling existing debts and liabilities, which are not subject to any outside market or business influences. At the balance sheet date, the company's bank balance is in excess of all the company's outstanding liabilities, excluding any remaining Group loans.

Future developments

The Company was set up to operate a rail franchise, which ceased on 31 March 2022. The Company therefore ceased to trade as a train operating company on 1 April 2022, but the Company has responsibility for the subsequent wind down of the recently ended franchise, including settlement of receivables and payables relating to the previous operation of the franchise.

COVID-19

Given the ScotRail franchise ended as at the financial statement period end date, limited potential future impact on the company is expected from COVID-19 factors.

Abellio ScotRail Ltd

Strategic report (continued) For the year ended 31 March 2022

Statement by the Directors in performance of their statutory duties under Section 172(1) of the Companies Act 2006

For the period ending 31 March 2022, the Board of Directors of Abellio ScotRail Ltd acted in such a way as to deliver success for the Company, having regard to its duties under Section 172(1) of the Companies Act 2006.

The following paragraphs summarise how the Directors fulfil their duties:

Decision making

The Company's approach to decision making is discussed in detail within the Board composition section of page 9.

Risk management

A risk register is updated quarterly, quantifying the biggest internal and external risk factors facing the Company. This register is approved by the Executive Committee of Abellio ScotRail Ltd and the Company Board. Each risk is assigned an owner and mitigating actions are taken to either manage the risk or eradicate it entirely, where possible.

Our people

Our people were our most valuable asset. Having motivated and engaged staff was at the heart of what the Company did, which is why we invested significant resources into personal development, mental health support, training, and management support. During COVID-19, we have invested heavily in measures to keep staff safe. Following the cessation of the Company on 31 March 2022, employees of the Company transferred to the new operator, ScotRail Trains Ltd, under TUPE arrangements.

Stakeholder engagement

During the financial year, COVID-19 continued to impact Scotland's Railway. Our communication and engagement with stakeholders throughout the year continued to be open about the challenges faced by the railway, how we adapted to deal with those, and we've shared our successes in delivering safe transport for those tackling the virus by keeping trains moving.

We engaged with key stakeholders during the Franchise in the following ways:

- Equality group for engagement with stakeholders representing disabled groups.
- Regular drop-in sessions for Members of the Scottish Parliament (MSPs) and Members of Parliament (MPs) to raise any issues.
- One-to-one meeting with MSPs, MPs, and Councillors as required.
- Senior representatives from Abellio ScotRail Ltd and Network Rail Scotland give evidence to relevant Scottish Parliamentary committees.
- Regional roundtables across the country with key stakeholders from business and local authorities;
- Scotland's Railway Stakeholder Panel meetings held three times a year, with members drawn from senior representatives from Scotland's key sectors.
- Regular one-to-one meetings with other key stakeholders.
- Regular stakeholder email updates.

As trade has now ceased, Abellio ScotRail Ltd's stakeholder group will reduce in size.

Abellio ScotRail Ltd

Strategic report (continued) For the year ended 31 March 2022

Community and environment

Abellio ScotRail Ltd's work was vital in connecting communities, whether it was providing lifeline services for remote areas, attracting greater investment into local areas, or transporting large numbers of people into city centres to boost economic activity. The Company was rooted in communities across Scotland, working with local groups to invest in the area and deliver for our customers.

Business conduct

The Company strives to maintain a reputation for high standards of business conduct. The Directors are responsible for setting these standards. Our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct, good governance and the minimum requirements set by our ultimate parent.


Our shareholders

We act responsibly toward our shareholders and endeavour to deliver a financial return to them. We have an open dialogue with our immediate shareholder and ultimate parent, providing them with regular and appropriate communication to ensure they understand our strategy, objectives, and results.

Parent company

On 31 August 2022, the company's ultimate parent company, NV Nederlandse Spoorwegen, entered into a sale and purchase agreement with Transport UK Group Limited ("TUK"), an entity registered in the UK and owned by the current UK Abellio Management team, to sell all issued shares, with the exception of one share, of the company's immediate parent Abellio Transport Group Limited. Following regulatory and client partner consent, the sale transaction completed on 28 February 2023. The company's ultimate parent company is now TUK.

Approved by the Board on 30 March 2023 and signed on its behalf by:

DocuSigned by:

FE8548453F0940C...
P Wright
Director

Abellio ScotRail Ltd

Directors' report

For the year ended 31 March 2022

The Directors present their report for the period ended 31 March 2022..

Directors

The Directors of the Company who served during the year and up to the date of signing unless otherwise stated were as follows:

D D G Booth

P Wright

D A Kaye

A J Hynes (resigned 1 April 2022)

D M Lister (resigned 1 April 2022)

A C White (resigned 1 April 2022)

Going concern

The Company was originally set up to operate a franchise from 1 April 2015 to 31 March 2025, under a 10-year term. In December 2019, Transport Scotland announced that they would enact the break clause in the original Franchise Agreement which led to an expectation that the Company would cease to trade on 1 April 2022. This expectation was confirmed when it was announced to the Scottish Parliament on 17 March 2021, that Scottish Ministers had decided that from 1 April 2022 a Successor Operator will take over operation of the ScotRail Service. The Successor Operator is ScotRail Trains Limited, a company that is ultimately within public ownership.

While the existing trade ceased on 1 April 2022, the Company remains in existence to realise the remaining assets and liabilities, being the assets and liabilities that have not transferred to ScotRail Trains Limited, under the provisions of the Franchise Agreement.

In accordance with IAS 1 Presentation of Financial Statements, the Directors must consider a period of at least 12 months from the date of approval of the financial statements and consider any events beyond that period when making the assessment of whether the financial statements should be prepared on the going concern basis. In accordance with IAS 1, where the Company intends to cease trading, has already ceased trading, or has no realistic alternative to do so, then financial statements should be prepared on a basis other than going concern.

The Company has therefore prepared the statutory financial statements for the year ended 31 March 2022 on a basis other than that of a going concern as the Company ceased carrying on the trade of passenger rail operations on 1 April 2022. The Directors do not consider there to be any measurement differences when compared to a going concern basis that would impact the results presented in these financial statements as they expect the Company to continue to meet financial obligations as they fall due. In arriving at this conclusion the Directors have performed a detailed analysis of cash flow forecasts subsequent to 1 April 2022 which continue to demonstrate the Company's ability to service its debts as they fall due (with the exception of the related party loans) whilst the assets and liabilities unwind.

Dividend

No dividend was paid or proposed in the year (2021: £nil).

Charitable and political contributions

The Company made charitable donations of £12,500 in the year (2021: £22,000). No political contributions were made in the year (2021: £nil).

Impact of COVID-19

Given the ScotRail franchise ended as at the financial statement period end date, limited potential future impact on the company is expected from COVID-19 factors.

Abellio ScotRail Ltd

Directors' report (continued) For the year ended 31 March 2022

Energy and carbon reporting

During the financial year, the Company operated passenger train services across the whole of Scotland. Rail travel plays an important part in mitigating against the ongoing global climate emergency. Therefore, alongside providing a reliable, sustainable and resilient train service Abellio ScotRail Ltd had a responsibility to mitigate and reduce our impact on the environment.

During the franchise, the Company managed this impact by having certified environmental and energy management systems. These systems supported the overall sustainability strategy and contributed to nationwide rail industry initiatives.

Throughout the term of operation, the Company has been committed to continually improving our environmental and energy performance, whilst minimising pollution and recognising our role in supporting the delivery of the Scottish Government's emission reduction targets.

Some of the key achievements during the year were as follows:

- Continued certification to environmental management standards - ISO 14001 Environmental Management and ISO 50001 Energy Management;
- All diesel trains are now utilising a fuel additive which is reducing our diesel usage by 3% per annum;
- All InterCity trains are now fitted with the Driver Advisory System (DAS), seeking to improve journey fuel efficiency by 5%;
- Our electric Class 385 trains carbon saving is equivalent to planting 5,138,151 trees across the fleet's 30 year lifetime. Abellio ScotRail Ltd has contributed to part of this saving since the introduction of the electric Class 385 fleet, the remaining savings will be provided through ScotRail Trains Ltd across the remaining life of the fleet;
- We received 2 Green Apple Awards for our Biodiversity campaign - Scotland Gold and Champion of Champion;
- The Rail Delivery Group recognised our activities in air quality as industry-leading; and
- Support provided for 36 biodiversity projects.

The Company maintains records of its energy consumption. The data below shows the Company's greenhouse gas emissions from operations, and other key metrics, for the financial year ended 31 March 2022, including prior year comparatives:

	Year ended 31 March 2022	Year ended 31 March 2021
Emissions from combustion of gas and the consumption of fuel for the purposes of transport	91,667	85,085
Emissions resulting from purchase of electricity for its own use	50,587	47,193
Emissions resulting from business travel	1,058	228
Total Gross emissions - tonnes of CO₂e	143,312	132,506
Tonnes of CO₂e per headcount employee	27.7	25.3

Abellio ScotRail Ltd**Directors' report (continued)
For the year ended 31 March 2022****Energy and carbon reporting (continued)**

	Year ended 31 March 2022	Year ended 31 March 2021
Energy consumption used to calculate emissions:		
Kilowatt Hours ('KwH')	246,338,696	210,755,733
Litres of Diesel consumed	32,323,855	29,677,094
Kilometres travelled	2,063,338	2,672,583
Litres of Petrol consumed	22,698	232

UK Government Conversion Factors are utilised for greenhouse gas (GHG) reporting. The Company's Energy Management system is accredited to ISO50001 and externally audited on an annual basis.

Employees

The Company is a non-discriminatory employer operating an Equal Opportunities Policy which aims to eliminate unfair discrimination, harassment, victimisation and bullying. The Company is committed to ensuring that all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

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.

The Company uses consultative procedures agreed with its staff and elected representatives with a view to ensuring that employees are aware of the financial and economic factors which affect the Company's performance and prospects. In addition, the Company issues a weekly newsletter to all employees informing them of developments within the Company.

Communication with employees is also effected 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 with employees and to ascertain their views on matters likely to affect their interests.

Following the end of the Abellio ScotRail Ltd franchise on 1 April 2022 the employees of the Company transferred to the new operator ScotRail Trains Limited under TUPE arrangements.

Board composition

An efficient Board structure requires a balance of skills, backgrounds, experience and knowledge. Individual Directors are required to each make a valuable individual contribution.

During the Financial Statement period, the Company had a Chief Operating Officer and Managing Director who ensured that the responsibilities, accountabilities and decision making was effectively maintained. The Chief Operating Officer and Managing Director played a pivotal role in creating an environment which allowed the overall Board, and individual Directors to be effective. They also ensured that the Board was effective in its task of setting and implementing the Company's direction and strategy.

The Board was comprised of Directors from Abellio ScotRail Ltd, Abellio Group, as well as other stakeholders from the ScotRail Alliance. The size and composition of the Board was appropriate to the Company's size, nature and the complexity of the business.

Abellio ScotRail Ltd

Directors' report (continued) For the year ended 31 March 2022

Board composition (continued)

The Board composition was defined by six core leadership capabilities. These capabilities were used in the Company's recruitment, learning and development, reward, performance management, talent management, and succession planning processes. Abellio ScotRail Ltd expects high standards from their leadership team and had developed a set of assessment criteria designed to help all leaders meet these leadership expectations. The combination of skills of the Directors was considered suitable for the nature of the organisation.

There was open debate and constructive challenge at meetings, with Board members demonstrating good engagement with the business, and a sound understanding of the Company's strategy, associated risks and challenges.

Directors kept their skills, knowledge and familiarity with the Company up to date by meeting with senior management, visiting operations, and attending appropriate internal and external seminars and training courses.

Following the cessation of the Abellio ScotRail Ltd franchise on 31 March 2022, the board composition has been updated. The changes to the size and composition of the board is considered appropriate for the business at the current time.

Board remuneration

A Board should promote executive remuneration structures aligned to the long-term sustainable success of the Company, taking into account pay and conditions elsewhere in the Company.

During the Financial Statement period, some of the Directors of Abellio ScotRail Ltd, who were also Directors of Abellio Transport Holdings Ltd, were remunerated for their services to the group as a whole and details of this can be found in the Abellio Transport Holdings Ltd annual report. Other Directors were Abellio Transport Holdings Ltd employees or Directors, and their remuneration was recharged to Abellio ScotRail Ltd.

The Managing Director was remunerated through a ScotRail Alliance partner, with Abellio ScotRail Ltd being recharged their allocation.

The remainder of the Directors were solely Directors of Abellio ScotRail Ltd and were remunerated through the Company.

The group remuneration committee consider the pay and incentive structures for senior management across the group, including the Directors of Abellio ScotRail Ltd. The remuneration of the Directors of Abellio ScotRail Ltd is established through a process which takes into account the same factors as the group executives.

These include:

- Alignment of pay with the purpose, values and strategy of the business; and
- The relationship between the Directors' pay and that of the wider workforce.

The Board is committed to creating an environment at all levels in the Company which enables people to perform and develop their abilities and potential.

The Board strives to ensure that Abellio ScotRail Ltd has a diverse workplace which does not attach specific importance to age, community background or country of origin, disability, gender, nationality, political opinion, religious belief, or sexuality.

Abellio ScotRail Ltd prepared a number of policies and reports which detailed our commitment to diversity, inclusion, belonging and equality. These policies will be inherited by the new operator, ScotRail Trains Ltd. These are published on the ScotRail website www.scotrail.co.uk.

Subsequent events

Details of future developments and events that have occurred after the balance sheet date can be found in note 29.

Abellio ScotRail Ltd

Directors' report (continued) For the year ended 31 March 2022

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors.

Directors' statement as to disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:


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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

The Company has elected to dispense with the annual requirement to reappoint the auditor and accordingly Ernst & Young LLP will continue to act as auditor of the Company.

Approved by the Board on 30 March 2023 and signed on its behalf by:

DocuSigned by:

FE8548453F0940C...

.....
P Wright
Director

Abellio ScotRail Ltd

Directors' responsibilities statement

The Directors' are responsible for preparing the annual report including the financial statements in accordance with applicable UK law and regulations.

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

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Abellio ScotRail Ltd

Opinion

We have audited the financial statements of Abellio ScotRail Ltd for the year ended 31 March 2022 which comprise the Income Statement and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We draw attention to note 3 to the financial statements which explains that the directors have ceased trading of the Company being effective on 1 April 2022 and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 3. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

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

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Abellio ScotRail Ltd (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent auditor's report to the members of Abellio ScotRail Ltd (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

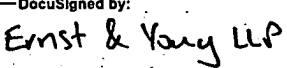
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the direct laws and regulations relating to elements of company law and tax and pensions legislation, the financial reporting framework, i.e. Companies Act 2006 and FRS 101, and Rail regulatory legislation.
- We understood how the Company is complying with those frameworks by making enquiries with management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies, reviewed minutes of the Board meetings and meetings with governing bodies and gained an understanding to the Company's approach to governance and its review of the risk management framework and internal control processes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that might otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement including complex transactions, economic or external pressures and the impact these have on the control environment. Where the risk was considered to be higher, we performed audit procedures to address each identified risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items. For both direct and other laws and regulations our procedures involved; making enquiries with those charged with governance and senior management for their awareness of non-compliance with laws and regulations; inquiring about policies that have been established to prevent non-compliance with laws and regulations by officers and employees; inquiring about the Company's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with regulatory authorities.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

.....DC6725244F9940P.....
Jamie Dixon (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

2 St Peter's Square
Manchester
United Kingdom
M2 3DF

Date: 30 March 2023

Abellio ScotRail Ltd**Income statement****For the year ended 31 March 2022**

	Note	2022 £ 000	2021 £ 000
Revenue	5	929,916	931,267
Operating costs		(949,181)	(943,529)
Gain on disposal of leased assets	16	-	2,925
Operating loss		(19,265)	(9,337)
Interest receivable and similar income	6	311	226
Interest payable and similar charges	7	(6,766)	(9,453)
Loss before taxation		(25,720)	(18,564)
Taxation	11	9,384	(7,622)
Loss for the financial year	12	(16,336)	(26,186)

The above results were derived from continuing operations.

The notes on pages 20 to 46 form an integral part of these financial statements.

Abellio ScotRail Ltd**Statement of comprehensive income
For the year ended 31 March 2022**

	2022 £ 000	2021 £ 000
Loss for the financial year	<u>(16,336)</u>	<u>(26,186)</u>
Items that will not be reclassified subsequently to profit or loss:		
Movements on cash flow hedges	2,891	7,352
Movements on other comprehensive income	800	-
Items that may be reclassified subsequently to profit or loss:		
Tax charge on items relating to components of comprehensive income	<u>-</u>	<u>-</u>
Total other comprehensive income for the year	<u>3,691</u>	<u>7,352</u>
Total comprehensive loss for the year	<u><u>(12,645)</u></u>	<u><u>(18,834)</u></u>


The notes on pages 20 to 46 form an integral part of these financial statements.

Abellio ScotRail Ltd**Balance sheet
As at 31 March 2022**

	Note	2022 £ 000	2021 £ 000
Non-current assets			
Intangible assets	14	-	4,420
Property, plant and equipment	15	1,386	10,953
Right-of-use assets	16	-	110,293
		<u>1,386</u>	<u>125,666</u>
Current assets			
Inventories	17	11,815	10,976
Trade and other receivables	18	56,704	91,788
Cash and cash equivalents		<u>101,713</u>	<u>70,228</u>
		<u>170,232</u>	<u>172,992</u>
Current liabilities			
Trade and other payables	19	(186,091)	(170,494)
Loans and borrowings	20	(89,700)	(107,177)
Fuel hedge liability	21	-	(2,891)
Lease liabilities	22	-	(109,624)
		<u>(275,791)</u>	<u>(390,186)</u>
Net current liabilities		<u>(105,559)</u>	<u>(217,194)</u>
Total assets less current liabilities		<u>(104,173)</u>	<u>(91,528)</u>
Net liabilities		<u>(104,173)</u>	<u>(91,528)</u>
Equity			
Called-up share capital	23	-	-
Cash flow hedging reserve	23	-	(2,891)
Retained earnings	23	<u>(104,173)</u>	<u>(88,637)</u>
Total equity		<u>(104,173)</u>	<u>(91,528)</u>

The financial statements of Abellio ScotRail Ltd (registration number: SC450732 (Scotland)) were approved by the Board of Directors and authorised for issue on 30 March 2023.

They were signed on its behalf by:

DocuSigned by:

 FE8548453F0940C...

.....
 P Wright
 Director

The notes on pages 20 to 46 form an integral part of these financial statements.

Abellio ScotRail Ltd**Statement of changes in equity
For the year ended 31 March 2022**

	Called-up share capital £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2020	-	(10,243)	(62,451)	(72,694)
Loss for the year	-	-	(26,186)	(26,186)
Other comprehensive income	-	7,352	-	7,352
Total comprehensive income/(loss)	-	7,352	(26,186)	(18,834)
At 31 March 2021	-	(2,891)	(88,637)	(91,528)
	Called-up share capital £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2021	-	(2,891)	(88,637)	(91,528)
Loss for the year	-	-	(16,336)	(16,336)
Other comprehensive income	-	2,891	800	3,691
Total comprehensive income/(loss)	-	2,891	(15,536)	(12,645)
At 31 March 2022	-	-	(104,173)	(104,173)

The notes on pages 20 to 46 form an integral part of these financial statements.

Abellio ScotRail Ltd

Notes to the financial statements For the year ended 31 March 2022

1 General information

Abellio ScotRail Ltd (the 'Company') is a private Company limited by share capital incorporated in Scotland and domiciled in the United Kingdom.

The address of its registered office is:

Culzean Building
36 Renfield Street
Glasgow
United Kingdom
G2 1LU

The nature of the Company's operations and principal activities are set out in the Strategic report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. The values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

2 Adoption of new and revised International Financial Reporting Standards

Impact on initial application of other amendments to International Financial Reporting Standards ('IFRS') and Interpretations

In the current year, the company has applied a number of amendments to International Accounting Standards ('IAS'), IFRS Standards and International Financial Reporting Interpretations Committee ('IFRIC') and Interpretations issued by the International Accounting Standards Board ('IASB') that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- COVID-19 - Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 16 - Property, Plant and Equipment-Proceeds before Intended Use
- Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

3 Accounting policies

Summary of significant accounting policies

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

Statement of compliance

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

Basis of accounting

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d)-134(1) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- the requirements of paragraph 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

Where relevant, equivalent disclosures have been given in the Company accounts of NV Nederlandse Spoorwegen. The Company accounts of NV Nederlandse Spoorwegen are available to the public and may be obtained by writing to Laan van Puntenburg 100, 3511 ER, Utrecht, Netherlands.

The principal accounting policies adopted are set out below.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

3 Accounting policies (continued)

Going concern

The Company was originally set up to operate a franchise from 1 April 2015 to 31 March 2025, under a 10-year term. In December 2019, Transport Scotland announced that they would enact the break clause in the original Franchise Agreement which led to an expectation that the Company would cease to trade on 1 April 2022. This expectation was confirmed when it was announced to the Scottish Parliament on 17 March 2021, that Scottish Ministers had decided that from 1 April 2022 a Successor Operator will take over operation of the ScotRail Service. The Successor Operator is ScotRail Trains Limited, a company that is ultimately within public ownership.

While the existing trade ceased on 1 April 2022, the Company remains in existence to realise the remaining assets and liabilities, being the assets and liabilities that have not transferred to ScotRail Trains Limited, under the provisions of the Franchise Agreement.

In accordance with IAS 1 Presentation of Financial Statements, the Directors must consider a period of at least 12 months from the date of approval of the financial statements and consider any events beyond that period when making the assessment of whether the financial statements should be prepared on the going concern basis. In accordance with IAS 1, where the Company intends to cease trading, has already ceased trading, or has no realistic alternative to do so, then financial statements should be prepared on a basis other than going concern.

The Company has therefore prepared the statutory financial statements for the year ended 31 March 2022 on a basis other than that of a going concern as the Company ceased carrying on the trade of passenger rail operations on 1 April 2022. The Directors do not consider there to be any measurement differences when compared to a going concern basis that would impact the results presented in these financial statements as they expect the Company to continue to meet financial obligations as they fall due. In arriving at this conclusion the Directors have performed a detailed analysis of cash flow forecasts subsequent to 1 April 2022 which continue to demonstrate the Company's ability to service its debts as they fall due whilst the assets and liabilities unwind.

Revenue

Ticketed passenger revenue

The Company generates revenue from tickets for rail travel sold under the conditions of the National Rail Conditions of Travel. The ticket sold forms a binding contract between passenger and any train operating company. The transaction price for each ticket is set via the Rail Settlement Plan, which attributes the price of a ticket purchased to the relevant Train Operating Companies ("TOCs") based on the Operational Research Computerised Allocation of Tickets to Services ("ORCATS") allocation.

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

Daily tickets

The Company has assessed that there is one performance obligation for the provision of transport on the specified day and for the specified route set out on the ticket. The transaction price of each ticket is the Company's share from the Rail Settlement Plan and this is recognised as revenue on the day of travel specified on the ticket.

Season tickets

The Company has assessed that there is one performance obligation for the provision of transport on the specified time period and for the specified route set out on the ticket. Although the customer can use the service multiple times (over the course of the season ticket), this does not constitute multiple performance obligations as this is a series of distinct services that are substantially the same and have the same benefit to the customer. As such this is one performance obligation.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

3 Accounting policies (continued)

Revenue (continued)

The transaction price of each ticket is the Company's share from the Rail Settlement Plan and as the Company transfers control of the season ticket over time and therefore satisfies the performance obligation over time. Revenue is recognised over the validity period of the season ticket on a straight line basis.

Rail cards

The Company has assessed that there is one performance obligation for the provision of discounted rail travel over the validity period set out on the railcard.

Revenue is recognised over the validity period of the railcard on a straight line basis.

Station access

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

Train maintenance

The Company provides train maintenance services to other train operating companies, under service contracts. The Company has assessed that there is one performance obligation under each agreement and that the Company fulfils the obligation of the services provided to the customer over a period of time. As such, revenue, based on the transaction price set out in the terms of the contract, is recognised on a straight line basis over the term of the contract.

Commission

The Company generates commission income, through the sale of rail tickets to third parties, on behalf of various train operating companies in the UK. The Company has assessed that there is one performance obligation and that the Company fulfils the obligation for the services provided to the customer at the point of time set out on the ticket. As such, the commission income is recognised at the point the sale of the ticket occurs.

Car park income

The Company provides car parking services to customers at stations. A contract exists between the Company and the customer upon the issue of a ticket. The Company has assessed that there is one performance obligation and that the Company transfers control of the services provided to the customer on a particular day, for daily tickets, or over a period of time for season tickets.

The transaction price is specified on the ticket.

For daily tickets, revenue is recognised on the day of parking specified on the ticket.

For season tickets as the Company transfers control of the season ticket over time and therefore satisfies the performance obligation over time, revenue is recognised over the validity period of the season ticket on a straight line basis.

Revenue is recognised net of any discounts and value added tax.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

3 Accounting policies (continued)

Revenue (continued)

Franchise subsidies (Government grants and subsidies)

The Company recognises Government grants and subsidies receivable for tendered services, concessionary fare schemes and financial support receivable from Transport Scotland in revenue. The amount recognised for financial support aligns income with cost in line with IAS 20 and is net of any financial penalties.

Management fees and performance payments

Management fee and performance payment income due under the EMAs and TMA is recognised as services are delivered under the contractual EMA terms.

Management fee income under the EMA was fixed per the EMA contractual terms and earned each rail period in which the EMA covered. There is no management fee income under EMA2, EMA3 or the TMA.

Performance payments are variable based on the outcome of a balanced scorecard grading process. Performance payments are earned on a rail period basis as services are delivered. The Company record revenue based on the expected outcome of the grading process on a rail period basis.

Tax

Current tax

The tax currently payable or receivable is based on taxable profit or loss for the year. Taxable profit or loss differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is recognised on all temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

3 Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over the shorter of its expected useful life and the anticipated franchise end date as follows:

Asset class	Depreciation rate and method
Buildings	10 years straight-line
Plant and equipment held under finance leases	Over the life of the lease
Plant and equipment	3 to 10 years straight-line
Fixtures and fittings	3 years straight-line
Computer equipment	3 to 10 years straight-line

Heavy maintenance

Maintenance and repair costs for leased rolling stock is charged to raw materials and consumables as incurred, with the exception of heavy maintenance expenditures on leased rolling stock, which are capitalised as described below. Heavy maintenance events typically consist of more complex inspections and servicing of the rolling stock.

Right-of-use assets are accounted for under IAS 16 Property, Plant and Equipment. Rolling stock recorded as right-of-use assets have the same accounting policies as directly owned assets. Abellio ScotRail Ltd allocates the amount initially recognised in respect of an item of property and equipment to its significant components and depreciates separately each component. Leased rolling stock right-of-use assets are componentised by the materials utilised to perform distinct scheduled heavy maintenance events. Heavy maintenance components are depreciated over the shorter of the remainder of the lease term, or the expected life between major maintenance events.

Heavy maintenance of leased rolling stock, including replacement spares and parts, labour costs and/or third-party maintenance service costs, are capitalised as part of the right-of-use asset and depreciated over the shorter of the lease term and the expected life between heavy maintenance events. All other maintenance costs are charged to operating expenses in the income statement as incurred.

Deferred capital grants

Income received in relation to fixed assets acquisitions is offset against the cost of the asset and the net cost is depreciated over the life of the asset.

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as personal computer hardware, office furniture, photocopiers, mobile phones/mobile devices and coffee machines). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Company's incremental borrowing rate.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

3 Accounting policies (continued)

Leases (continued)

Lease liability (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the period presented.

Right-of-use asset

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Impairment of tangible and intangible assets" policy.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

3 Accounting policies (continued)

Leases (continued)

Right-of-use asset (continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Administrative expenses' in the income statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Intangible assets

Intangible fixed assets are stated at original cost less accumulated amortisation and accumulated impairment. Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over the shorter of their expected useful life and the anticipated franchise end date on the following bases:

Asset class	Amortisation rate and method
Development costs	7 years straight-line
Software costs	7 years straight-line

Development and software costs

Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

3 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Inventories

Stocks are valued at the lower of cost and replacement cost after making due allowance for obsolete items. Cost includes all costs incurred in bringing each product to its present location and condition.

Defined benefit pension obligation

The Railways Pension Scheme provides pension benefits to the substantial majority of current employees on a defined benefit basis. The Company's main obligation in respect of the Railway Pension Scheme is to pay contributions as agreed with the scheme actuary and trustees over the franchise term.

Any deficit in the defined benefit pension obligation reflects only that portion of the deficit that is expected to be funded over the franchise term, net of deferred tax. A "franchise adjustment" is made to the deficit on this basis. The franchise adjustment is the projected deficit to the end of the franchise term which the Company will not be required to fund, discounted back to present value.

The amounts charged to operating profit regarding the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments and less the franchise adjustment. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on the assets are shown within interest payable and interest receivable respectively. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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 accounting liabilities are updated at each balance sheet date and, typically, every three years are rebalanced to allow for the triennial statutory funding valuation. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other assets on the face of the balance sheet. Discussions continue with the Pensions Regulator on the statutory funding valuations as at 31 December 2016 and 31 December 2019, as such those valuations are not yet complete. However, the draft results of the 31 December 2019 statutory funding valuation are available and have been used in the calculation of the year-end accounting liabilities.

Financial instruments

The Company uses derivative financial instruments such as forward fuel contracts to hedge its risks associated with the movement in fuel prices. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

Abellio ScotRail Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2022

3 Accounting policies (continued)

Financial instruments (continued)

For the purpose of hedge accounting, the Company's hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. Any gains or losses that do qualify for hedge accounting are taken to other comprehensive income.

The Company had commodity swap contracts that were put in place during 2014 and 2015 and expired on 31 March 2020. Additional swap contracts were put in place in August 2019 and expired on 31 March 2022.

Financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature, and purpose of the financial assets and is determined at the time of recognition.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised at fair value (plus any directly attributable transaction costs) upon initial recognition. Subsequent to initial recognition, they are recognised at amortised cost using the effective interest method.

The Company forms a provision for impairment equal to the size of the lifetime expected credit losses from trade and other receivables. The loss provision is determined on the basis of historical payment data and forward looking information.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss ("FVTPL") or other financial liabilities.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

3 Accounting policies (continued)

Other financial liabilities (continued)

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

The Company's fuel hedge contracts expired on 31 March 2022, therefore no hedge effectiveness assessment has been undertaken.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may 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 the revision and future periods if the revision affects both current and future periods.

Pension and other post-employment benefits

The cost of defined benefit pensions plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The discount rate is based on the market yields at the reporting date on high quality corporate bonds. The currency and term of the corporate bonds should be consistent with the currency and estimated term of the post-employment benefit obligations. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 27.

Accrued income

The Company recognises accrued income in relation to Franchise Subsidy, in accordance with the principles of IAS 20. Subsidy income should be recognised in the income statement on a "systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate". In determining the amount of accrued income, management utilise the best information available to establish the future related costs for which the franchise subsidy is intended to compensate.

As a result of Abellio ScotRail Ltd entering the Emergency Measures Agreement ("EMA") amendment, effective from 1 March 2020, a subsidy income unwind adjustment is recorded in line with the methodology outlined in note 3.

Additionally, the Company recognises accrued income in relation to ongoing claims in line with agreed industry standard processes. In determining the amount to recognise, management utilise all available information in relation to the claim and, if appropriate, seek external guidance from industry experts.

Abellio ScotRail Ltd**Notes to the financial statements (continued)**
For the year ended 31 March 2022**4 Critical accounting judgements and key sources of estimation uncertainty (continued)****Impairment**

An impairment review has been undertaken as at 31 March 2022. For the impairment review, the Company as a whole is considered to be a cash generating unit. The rationale is that the business is managed on this basis by the board of Directors and the shareholders review the business on this basis. There are no cashflows attributed to individual assets and as such all assets are assessed as one. An impairment loss of £18,018,857 (2021: £3,833,157) was recorded as a result of the impairment review. The recoverable amount assessed at 31 March 2022 amounts to £1,386,000 (31 March 2021: £22,492,986), being the book value of the fixed assets at 31 March 2022.

No discount rate has been applied in determining the recoverable amount as the time period is less than one year.

5 Revenue

The analysis of the Company's revenue is as follows:

	2022 £ 000	2021 £ 000
Passenger income	187,496	53,472
Franchise subsidies	729,461	853,661
Other operating income	12,959	24,134
	<u>929,916</u>	<u>931,267</u>

All revenue arises from operations within the United Kingdom.

6 Interest receivable and similar income

	2022 £ 000	2021 £ 000
Bank deposits	<u>311</u>	<u>226</u>

7 Interest payable and similar charges

	2022 £ 000	2021 £ 000
Interest paid	295	266
Interest payable to group undertakings	5,117	4,993
Interest on obligations under finance leases and hire purchase contracts	24	10
Interest on lease liabilities	<u>1,330</u>	<u>4,184</u>
	<u>6,766</u>	<u>9,453</u>

Abellio ScotRail Ltd**Notes to the financial statements (continued)
For the year ended 31 March 2022****8 Staff costs**

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

	2022	2021
	No.	No.
Drivers	1,308	1,325
On-train staff	1,096	1,186
Station staff	988	1,019
Fleet maintenance staff	950	924
Management and administrative staff	637	633
	<u>4,979</u>	<u>5,087</u>

The actual headcount from 31 March 2021 to 31 March 2022 has been provided below.

	2022	2021
	No.	No.
Drivers	1,346	1,354
On-train staff	1,150	1,203
Station staff	1,074	1,092
Fleet maintenance staff	953	944
Management and administrative staff	642	641
	<u>5,165</u>	<u>5,234</u>

Their aggregate remuneration comprised:

	2022	2021
	£ 000	£ 000
Wages and salaries	215,782	209,086
Social security costs	22,004	21,016
Other pension costs	13,553	14,054
Redundancy costs	884	819
Other staff costs	1,130	1,083
Other employee expense	7,423	6,488
	<u>260,776</u>	<u>252,546</u>

9 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2022	2021
	£ 000	£ 000
Remuneration	151	149
Company pension contributions to defined benefit schemes	12	12
	<u>163</u>	<u>161</u>

Abellio ScotRail Ltd**Notes to the financial statements (continued)
For the year ended 31 March 2022****9 Directors' remuneration (continued)**

Remuneration disclosed above include the following amounts paid to the highest paid Director:

	2022	2021
	£ 000	£ 000
Remuneration	151	139
Company pension contributions to defined benefit schemes	12	12
	<u>163</u>	<u>151</u>

Retirement benefits accrued to the Director at 31 March 2022 under a defined benefit scheme of £nil (2021: £nil). The pension lump sum accruing to the highest paid Director at the 31 March 2022 was £nil (2021: £nil). The remaining Directors of the Company are remunerated through Abellio entities but not through Abellio ScotRail Ltd.

10 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2022	2021
	£ 000	£ 000
Fees payable for the audit of the Company's annual accounts	276	267
Other assurance services	-	18
Other	6	-
	<u>282</u>	<u>285</u>

11 Taxation

(a) Tax credited/(charged) for the year in the income statement:

	2022	2021
	£ 000	£ 000
Current taxation		
UK corporation tax	(2,694)	(2,081)
Adjustments in respect of prior periods	(7,074)	9,703
	<u>(9,768)</u>	<u>7,622</u>
Deferred taxation		
Origination and reversal of timing differences	384	-
Adjustments in respect of prior periods	-	-
Effect of change in tax rates	-	-
Total deferred taxation	<u>384</u>	<u>-</u>
Tax (credit)/charge in the income statement	<u>(9,384)</u>	<u>7,622</u>

Abellio ScotRail Ltd**Notes to the financial statements (continued)
For the year ended 31 March 2022****11 Taxation (continued)**

In addition to the amount (credited)/charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

(b) Tax charge for the year in other comprehensive income:

	2022 £ 000	2021 £ 000
Current tax	-	-
Total income tax recognised in other comprehensive income	-	-

The tax on loss before tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2021: 19%).

The credit for the year can be reconciled to the loss in the income statement as follows:

	2022 £ 000	2021 £ 000
Loss before tax	(25,720)	(18,564)
Corporation tax at standard UK rate of 19% (2021: 19%)	(4,887)	(3,527)
Adjustments in respect of prior periods	(6,544)	9,703
Expenses not deductible	1,015	662
Decrease from transfer pricing adjustments	(30)	-
Deferred tax not recognised	4,420	881
Income not taxable	(3,358)	(97)
Tax (credit)/charge for the year	(9,384)	7,622

Factors that may affect future tax charges

Changes to UK corporation tax rates were enacted as part of the Finance Act 2021 which received Royal Assent on 10th June 2021. The main rate of tax will remain at 19% before increasing to 25% from 1st April 2023. As of March 2023, The Chancellor has confirmed as part of the 2023 Spring Budget that the intended increase to 25% will still take effect from 1 April 2023. This rate has not been substantively enacted at the balance sheet date and as a result, any deferred tax balances which would have been recognised as at 31 March 2021 would be measured at 19%. As no deferred tax balance has been recognised at this date, there would be no change to the deferred tax balance if it was remeasured at 25%.

Abellio ScotRail Ltd**Notes to the financial statements (continued)
For the year ended 31 March 2022****12 Loss for the financial year**

Loss for the year has been arrived at after charging/(crediting):

	2022	2021
	£ 000	£ 000
Raw materials and consumables	21,751	20,963
Depreciation - owned assets	6,453	6,704
Depreciation - assets held under finance leases	3,038	2,535
Amortisation - Website development and Software	4,420	3,429
Depreciation on right of use assets - Machinery	105,902	108,507
Depreciation on right of use assets - Property	519	519
Depreciation on right of use assets - Other	3,442	3,002
Gain on disposal of right-of-use assets	-	(2,925)
Rentals receivable under operating leases - Property	(1,037)	(709)
Network Rail access charges	296,651	285,133
Auditors remuneration (see note 10)	282	285

13 Deferred tax

	2022	2021
	£ 000	£ 000
Provision at start of year	-	-
Adjustments in respect of prior periods	-	-
Deferred tax credit in income statement for the year	-	-
Deferred tax (credit)/charge in OCI for the year	-	-
Deferred tax assets	-	-

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 March	31 March
	2022	2021
	£ 000	£ 000
Deferred tax assets	-	-
Deferred tax liabilities	-	-

Abellio ScotRail Ltd**Notes to the financial statements (continued)**
For the year ended 31 March 2022**14 Intangible assets**

	Website development costs £ 000	Software costs £ 000	Total £ 000
Cost or valuation			
At 1 April 2021	885	12,230	13,115
At 31 March 2022	885	12,230	13,115
Amortisation			
At 1 April 2021	690	8,005	8,695
Amortisation charge	195	4,225	4,420
At 31 March 2022	885	12,230	13,115
Net book value			
At 31 March 2022	-	-	-
At 31 March 2021	195	4,225	4,420

Abellio ScotRail Ltd**Notes to the financial statements (continued)
For the year ended 31 March 2022****15 Property, plant and equipment**

	Land & Buildings £ 000	Plant & Equipment £ 000	Fixtures & Fittings £ 000	Computer Equipment £ 000	Work in Progress £ 000	Total £ 000
Cost or valuation						
At 1 April 2021	7,205	19,131	2,033	5,831	681	34,881
Impairment	-	-	-	-	(496)	(496)
Transfers	-	420	-	-	-	420
At 31 March 2022	<u>7,205</u>	<u>19,551</u>	<u>2,033</u>	<u>5,831</u>	<u>185</u>	<u>34,805</u>
Depreciation						
At 1 April 2021	3,862	14,204	1,066	4,796	-	23,928
Charge for the period	<u>3,038</u>	<u>4,451</u>	<u>967</u>	<u>1,035</u>	<u>-</u>	<u>9,491</u>
At 31 March 2022	<u>6,900</u>	<u>18,655</u>	<u>2,033</u>	<u>5,831</u>	<u>-</u>	<u>33,419</u>
Net book value						
At 31 March 2022	<u>305</u>	<u>896</u>	<u>-</u>	<u>-</u>	<u>185</u>	<u>1,386</u>
At 31 March 2021	<u>3,343</u>	<u>4,927</u>	<u>967</u>	<u>1,035</u>	<u>681</u>	<u>10,953</u>

Work in progress consists of assets under construction where bringing the asset into use has not yet been completed. Depreciation on work in progress assets commences when each project is complete.

Abellio ScotRail Ltd**Notes to the financial statements (continued)****For the year ended 31 March 2022****16 Right-of-use assets**

	Rolling stock £ 000	Buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost				
At 1 April 2021	487,200	3,638	11,438	502,276
Disposals	(471,113)	(3,638)	(1,017)	(475,768)
Transfers	-	-	(10,421)	(10,421)
At 31 March 2022	<u>16,087</u>	<u>-</u>	<u>-</u>	<u>16,087</u>
Accumulated depreciation				
At 1 April 2021	381,288	3,119	7,576	391,983
Depreciation charge	105,902	519	3,442	109,863
Eliminated on disposal	(471,103)	(3,638)	(1,017)	(475,758)
Transfers	-	-	(10,001)	(10,001)
At 31 March 2022	<u>16,087</u>	<u>-</u>	<u>-</u>	<u>16,087</u>
Carrying amount				
At 31 March 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2021	<u>105,912</u>	<u>519</u>	<u>3,862</u>	<u>110,293</u>

The Company previously leased several assets including rolling stock, buildings and equipment. However, all these leases expired on 31 March 2022.

	2022 £	2021 £
Amounts recognised in profit and loss account		
Depreciation expense on right-of-use assets	109,863	112,028
Interest expense on lease liabilities	1,330	4,184
Expense relating to short-term leases	-	1,020
Expense relating to leases of low value assets	29	29
Income from subleasing right-of-use assets	4	57
Gain on disposals	-	(2,925)
	<u>111,226</u>	<u>114,393</u>

At 31 March 2022, the Company is committed to £nil for short-term leases.

Abellio ScotRail Ltd**Notes to the financial statements (continued)
For the year ended 31 March 2022****17 Inventories**

	2022	2021
	£ 000	£ 000
Fuel stocks	1,110	521
Engineering spares	10,705	10,455
	<u>11,815</u>	<u>10,976</u>

18 Trade and other receivables

	2022	2021
	£ 000	£ 000
Trade debtors	15,962	5,451
Other debtors	-	35
VAT	18,490	16,362
Accrued income	11,280	66,560
Prepayments	964	2,065
Amounts due from group undertakings	8,270	1,207
Income tax asset	1,738	108
	<u>56,704</u>	<u>91,788</u>

Amounts due from group undertakings are unsecured, interest-free and are repayable on demand.

19 Trade and other payables

	2022	2021
	£ 000	£ 000
Trade creditors	115,086	106,426
Loan interest due to group undertakings	16,188	11,617
Social security and other taxes	5,667	5,433
Accruals and deferred income	21,740	27,842
Other creditors	25,722	17,290
Deferred season ticket income	815	452
Amounts due to related parties	873	1,434
	<u>186,091</u>	<u>170,494</u>

The deferred season ticket income is secured by a season ticket bond in accordance with the terms of the Franchise Agreement.

Loan interest due to group undertakings are unsecured, repayable within 12 months, and relate to loans and borrowings shown in note 20.

Abellio ScotRail Ltd**Notes to the financial statements (continued)
For the year ended 31 March 2022****20 Loans and borrowings**

	2022	2021
	£ 000	£ 000
Loan due to Abellio Transport Group Limited	37,000	37,000
Loan due to Abellio Transport Holding B.V.	25,000	25,000
Loan due to Nederlandse Spoorwegen	27,700	27,700
Loan due to Transport Scotland	-	17,477
	<u>89,700</u>	<u>107,177</u>

The amounts due to group undertakings are unsecured and repayable on demand. Interest is charged at 8% (Nederlandse Spoorwegen), and 4% (Abellio Transport Holding B.V.). Of the £37,000,000 (2021: £37,000,000) loan due to Abellio Transport Group Limited, £4,000,000 (2021: £4,000,000) and interest is charged at 2%. 4% interest is charged on the remainder of the amount due to Abellio Transport Group Limited £33,000,000 (2021: £33,000,000).

	2022	2021
	£ 000	£ 000
Less than 1 year	<u>89,700</u>	<u>107,177</u>

21 Financial instruments

	2022	2021
	£ 000	£ 000
Current liabilities		
Fuel hedge liability	<u>-</u>	<u>2,891</u>

	2022	2021
	£ 000	£ 000
Non-current liabilities		
Fuel hedge liability	<u>-</u>	<u>-</u>

The Company operated passenger railway services and, as such, was exposed to movements in fuel prices. To protect cash flows, the Company entered into commodity swap contracts to hedge a proportion of its exposures to fuel price.

All fuel hedge contracts expired at 31 March 2022.

Abellio ScotRail Ltd**Notes to the financial statements (continued)
For the year ended 31 March 2022****22 Lease liabilities**

	2022 £ 000	2021 £ 000
Maturity analysis		
Year 1	-	(109,624)
Year 2	-	-
	-	(109,624)
Less: unearned interest	-	-
	-	(109,624)
	2022 £ 000	2021 £ 000
Analysed as:		
Non-current	-	-
Current	-	(109,624)
	-	(109,624)

The Company does not face a significant liquidity risk with regard to its lease liabilities.

The total cash outflow for leases amounts to £nil (2021: £110,627,000).

There are no extension or termination options on the leases.

23 Equity***Share Capital***

	31 March 2022 £	31 March 2021 £
1 Ordinary share of £1	1	1

The Company has one ordinary class of shares which carry no right to fixed income.

The Company's other reserves are as follows:

Retained earnings

The retained earnings accounts represents cumulative profits or losses, net of dividends paid and other adjustments.

Cash flow hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in the income statement only when the hedged transaction impacts the income statement, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Abellio ScotRail Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2022

24 Contingent liabilities

The Company, as the franchisee, has procured a performance bond in favour of Transport Scotland. This bond was in place for the franchise term and expires on 13 December 2022. The performance bond amount as at 31 March 2022 was £43,538,000 (2021: £40,372,000).

In addition, Abellio ScotRail Ltd, as the franchisee, has procured a season ticket bond in favour of Transport Scotland. The maximum season ticket and smart card bond value as at 31 March 2022 was £2,608,000 (2021: £2,777,000). The bond expired on 1 April 2022, following the end of the franchise.

25 Capital commitments

At 31 March 2022, amounts contracted for but not provided in the financial statements for the purchase of property, plant and equipment amounts to £nil (2021: £16,498,534). All of these commitments are funded by Transport Scotland through the EMA3 contract and as such will be transferred to ScotRail Trains Limited post 1 April 2022, so will not be capitalised.

26 Related party transactions

As 100% of the Company's voting rights are controlled within the Company headed by NV Nederlandse Spoorwegen, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Company (or investees of the Company qualifying as related parties). The consolidated financial statements of NV Nederlandse Spoorwegen, within which this Company is included, can be obtained from the address given in note 28.

Transactions entered into, and trading balances outstanding at the year end with other related parties, are as follows:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	£000	£000	£000	£000
West Midlands Trains Limited				
2022	61	1	10	-
2021	46	-	9	-

West Midlands Trains Limited is a related party as they are a fellow subsidiary of the Company's ultimate controlling party NV Nederlandse Spoorwegen.

The Company has not provided or benefitted from any guarantees for any related party receivables or payables. During the period ended 31 March 2022, the Company has not recognised any impairment or experienced any credit loss under IFRS 9 relating to amounts owed by related parties (2021: £nil).

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

27 Retirement benefits

Railway Pension Scheme — ScotRail Section

The Company is a member of a defined benefit pension scheme, which is funded. All eligible employees are offered membership of the "Railway Pension Scheme". The last full actuarial valuation of the scheme was carried out by independent actuaries as at 31 December 2013. The actuarial valuation was updated for 31 March 2022; at this date the market value of the scheme's assets totalled £1,037.7m. The actuarial value of these assets was sufficient to cover 72.1% 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 schemes' assets are held and managed independently of the Company's finances by independent investment managers appointed by the trustees of the scheme. The current contribution rate is 6.7% for employees and 10.0% for employers.

The actuarial assumptions used in determining the last full actuarial valuation were that the rate of earnings increase would be 2.7% per annum and the rate of inflation would be 3.2%/2.7% (RPI/CPI) per annum. The valuation was made using the projected unit method.

Under the terms of the Railways Pension Scheme (RPS), any fund deficit is shared by the employer (60%) and the employees (40%) of contributions agreed with the Scheme Trustees and actuaries and for which there is no funding cap set out in the franchise contract.

Any deficit reflected in the balance sheet reflects only that portion of the deficit that is expected to be funded over the franchise term, net of deferred tax. A 'franchise adjustment' is made to the deficit on this basis. The franchise adjustment is the projected deficit at the end of the franchise term which the Company will not be required to fund, discounted back to present value.

The valuations used have been based on the draft results of the 31 December 2019 statutory funding valuation and have been updated by Mercer in order to assess the liabilities of the schemes as at the subsequent balance sheet dates. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are applied to each category of scheme assets. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit method. Discussions continue with the Pensions Regulator on the statutory funding valuations as at 31 December 2016 and 31 December 2019, as such those valuations are not yet complete. However, the draft results of the 31 December 2019 statutory funding valuation are available and have been used in the calculation of the year-end accounting liabilities.

Abellio ScotRail Ltd**Notes to the financial statements (continued)
For the year ended 31 March 2022****27 Retirement benefits (continued)****Net defined benefit position**

	2022	2021
	£ 000	£ 000
Cash and cash equivalent	119,917	87,542
Equity instruments	763,783	645,918
Debt instruments	5,592	53,488
Real estate	83,961	76,317
Other	64,427	58,686
Total fair value of scheme assets	1,037,680	921,951
Present value of scheme liabilities	(1,438,663)	(1,359,052)
Franchise adjustment	240,590	262,261
Defined benefit obligation	(160,393)	(174,840)
Members' share of deficit	(160,393)	(174,840)
Deficit in the scheme	-	-
Related deferred tax asset	-	-
Net pension liability	-	-

Scheme assets are stated at their market value at the respective balance sheet dates. The expected rate of return on assets is determined based on the market returns on each category of scheme assets.

Analysis of the amount charged to operating loss:

	2022	2021
	£ 000	£ 000
Current service cost	38,693	30,730
Administrative expenses	1,586	1,437
Interest expense on defined benefit obligation	18,172	15,485
Interest income on pension scheme assets	(12,410)	(11,226)
Interest on franchise adjustment	(5,901)	(4,405)
Franchise adjustment	(26,074)	(18,256)
Amount charged in arriving at the loss for the financial year	14,066	13,765

Abellio ScotRail Ltd**Notes to the financial statements (continued)****For the year ended 31 March 2022****27 Retirement benefits (continued)**

Re-measurements recognised in the statement of comprehensive income for the year are analysed as follows:

	2022	2021
	£ 000	£ 000
Return on plan assets	103,272	144,155
(Loss)/gain from change in members' share	(36,098)	39,962
Change in assumptions	(13,015)	(260,068)
Gain on franchise adjustment	(54,159)	59,799
Effect of experience adjustment	-	16,152
Total re-measurement recognised in the statement of comprehensive income	-	-

Changes in the fair value of plan asset are analysed as follows:

	2022	2021
	£ 000	£ 000
Fair value of scheme assets at 1 January	921,951	764,628
Expected return on plan assets	102,426	144,155
Cash contributions - employer	14,066	13,765
Cash contributions - employee	9,126	9,028
Interest income - employer	12,410	11,226
Interest income - employee	8,273	7,484
Benefits paid	(27,928)	(25,940)
Administration expense	(2,644)	(2,395)
Fair value of schemes assets	<u>1,037,680</u>	<u>921,951</u>

Movement in the present value of the defined benefit scheme liabilities, which is partly funded, is as stated below. The RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. The movement on scheme liabilities below represents 100% of the scheme liabilities.

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2022	2021
	£ 000	£ 000
Defined benefit obligation at 1 January	1,359,052	1,064,296
Current service cost - employer	38,693	30,730
Current service cost - employee	25,544	20,242
Benefits paid	(27,928)	(25,940)
Interest expense - employer	18,172	15,485
Interest expense - employee	12,115	10,323
Effect of changes in financial assumptions	15,865	264,145
Effect of changes in demographic assumptions	(2,850)	(4,077)
Effect of experience adjustments	-	(16,152)
Defined benefit obligation	<u>1,438,663</u>	<u>1,359,052</u>

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2022

27 Retirement benefits (continued)

The following assumptions have been used:

	31 March 2022	31 March 2021
Rate of increase in salaries	3.2%	2.7%
Rate of increase of pensions	3.2%	2.7%
Discount rate	2.7%	2.2%
Inflation assumption	3.2%	2.7%
Expected rates of return on assets by scheme	2.7%	2.2%

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

<i>Assumption</i>	<i>Change in Assumption</i>	<i>Impact on scheme liabilities</i>
Discount rate	Increase/decrease by 25 bps	Increase/decrease by 5.9%/6.3%
Inflation assumption	Increase/decrease by 25 bps	Increase/decrease by 6.2%/5.8%
Rate of salary increases	Increase/decrease by 25 bps	Increase/decrease by 1.6%/1.6%
Post retirement mortality	Plus one year rating	Increase/decrease by 3.2%

28 Ultimate parent and controlling undertaking

The Company's immediate controlling party is Abellio Transport Holdings Ltd.

The smallest company in which the results of the Company are consolidated is that headed by Abellio Transport Holding B.V.. The consolidated financial statements of this Company are available to the public and may be obtained by writing to Laan van Puntenburg 100, (3511 ER), Utrecht, The Netherlands.

The largest company in which the results of the Company are consolidated is that headed by NV Nederlandse Spoorwegen. The consolidated financial statements of this Company are available to the public and may be obtained by writing to Laan van Puntenburg 100, (3511 ER), Utrecht, The Netherlands.

29 Events after the balance sheet date

From 1 April 2022 Abellio Scotrail Ltd handed over the Scotrail Franchise to the successor operator 'Scotrail Trains Limited' and accordingly a transition of respective assets, rights and liabilities including all staff, passengers and other key stakeholders to ScotRail Trains Limited was carried out on 1 April 2022.

On 31 August 2022, the company's ultimate parent company, NV Nederlandse Spoorwegen, entered into a sale and purchase agreement with Transport UK Group Limited ("TUK"), an entity registered in the UK and owned by the current UK Abellio Management team, to sell all issued shares, with the exception of one share, of the company's immediate parent Abellio Transport Group Limited. Following regulatory and client partner consent, the sale transaction completed on 28 February 2023. The company's ultimate parent company is now TUK.