

Registration number: SC450732 (Scotland)

Abellio ScotRail Ltd

Annual report and statutory financial statements

for the year ended 31 March 2023



Abellio ScotRail Ltd

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Abellio ScotRail Ltd

Company information

Directors	D D G Booth P Wright A T Pilbeam
Registered office	58 Robertson Street Glasgow Scotland G2 8DU
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 2023

The Directors present their strategic report and financial statements of Abellio ScotRail Ltd (the 'Company') for the year ended 31 March 2023.

Principal activity

The principal activity of the Company was the operation of passenger railway services in Scotland 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 prior financial year, on 31 March 2022.

During the seven years of trading, Abellio ScotRail delivered a railway that Scotland can be proud of, with 70 new Class 385 Hitachi electric trains in service, Scotland's seven cities all served by high-speed InterCity services, and punctuality and reliability targets consistently being met. Passengers noticed all of this, with a big rise in customer satisfaction in the last National Rail Passenger Survey completed.

Business review and future outlook

The Company has continued to settle assets and liabilities related to the previous trade during the current financial period and will continue to do so in the next twelve months.

Operating profit for the period year to 31 March 2023 was £9.4m (2022: operating loss of £19.3m).

Principal risks and uncertainties

The Company's principal risks and uncertainties were significantly reduced after the transfer of significant operating assets and liabilities to the new operator ScotRail Trains Ltd on 1 April 2022. The Company remains liable for events up to that date. The Company's future cash flows are based upon settlement of existing debts and liabilities, which are not subject to any outside market or business influences.

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 2023, the Board of Directors of Abellio ScotRail Ltd acted in such a way as to deliver a successful unwind of the Company, having regard to its duties under Section 172(1) of the Companies Act 2006.

Parent company

On 31 August 2022, the Company's former 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 Transport UK (Operations) Limited (formerly Abellio Transport Holdings 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 07/03/2024 and signed on its behalf by:



P Wright
Director

Abellio ScotRail Ltd

Directors' report For the year ended 31 March 2023

The Directors present their report for the period ended 31 March 2023.

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

A J Hynes (resigned 1 April 2022)

D M Lister (resigned 1 April 2022)

A C White (resigned 1 April 2022)

D A Kaye (resigned 14 April 2023)

The following Director was appointed after the year end:

A T Pilbeam (appointed 14 April 2023)

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. This may take some time to complete. In accordance with the requirements of IAS: Presentation and Disclosure, these financial statements are prepared on a basis other than going concern to reflect the fact that trading has ceased. Nevertheless, assets continue to be carried at their recoverable amount which reflects the expected amounts to be recovered on settlement as appropriate. In addition, assets and liabilities are classified as current or non-current in accordance with the contractual terms of those balances and the anticipated timing of settlement.

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 to 31 March 2025 which continue to demonstrate the Company's ability to service its debts as they fall due.

Dividend

No dividend was paid or proposed in the year (2022: £nil).

Charitable and political contributions

The Company made no charitable donations in the year (2022: £12,500). No political contributions were made in the year (2022: £nil).

Abellio ScotRail Ltd

Directors' report (continued) For the year ended 31 March 2023

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.

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.

The Directors of the Company were remunerated for their services to the group as a whole. No remuneration was recharged back to the Company in respect of their services.

Subsequent events

Details of future developments and events that have occurred after the statement of financial position date can be found in note 30.

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 07/03/2024 and signed on its behalf by:



P Wright
Director

Abellio ScotRail Ltd

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 UK-adopted international accounting standards. 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 Group and the Company and of the profit or loss of the Group and the Company for that period.

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

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK-adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/ or the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, that comply with that law and those regulations.

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 2023 which comprise of the Statement of profit or loss, the Statement of comprehensive income, the Statement financial position, the Statement of changes in equity, the Statement of cash flows and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 matter 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 5, 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:

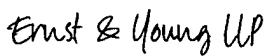
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the direct laws and regulations relating to elements of company law and tax and pensions legislation, the financial reporting framework, i.e. Companies Act 2006 and International Financial Reporting Standards, 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 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:


A378997A88854EE

Tehseen Ali (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

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

Date: 07/03/2024

Abellio ScotRail Ltd

Statement of profit or loss For the year ended 31 March 2023

	Note	2023 £ 000	2022 £ 000
Revenue	5	9,805	929,916
Operating costs		(374)	(949,181)
Intercompany loans write-off		-	-
Operating profit/(loss)		9,431	(19,265)
Interest receivable and similar income	6	1,001	311
Interest payable and similar charges	7	(3,751)	(6,766)
Profit/(loss) before taxation		6,681	(25,720)
Taxation	11	3,436	9,384
Profit/(loss) for the financial year	12	10,117	(16,336)

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 prior financial year, on 31 March 2022, and the Company now continues as a non-trading entity.

The notes on pages 14 to 45 form an integral part of these financial statements.

Abellio ScotRail Ltd

Statement of comprehensive income For the year ended 31 March 2023

	2023 £ 000	2022 £ 000
Profit/(loss) for the financial year	<u>10,117</u>	<u>(16,336)</u>
Items that will not be reclassified subsequently to profit or loss:		
Movements on cash flow hedges	-	2,891
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>-</u>	<u>3,691</u>
Total comprehensive profit/(loss) for the year	<u><u>10,117</u></u>	<u><u>(12,645)</u></u>

The notes on pages 14 to 45 form an integral part of these financial statements.

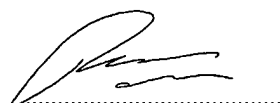
Abellio ScotRail Ltd

Statement of financial position As at 31 March 2023

	Note	31 March 2023 £ 000	(Restated) 31 March 2022 £ 000	(Restated) 1 April 2021 £ 000
Non-current assets				
Intangible assets	13	-	-	4,420
Property, plant and equipment	14	-	1,386	10,953
Right-of-use assets	15	-	-	110,293
		<u>-</u>	<u>1,386</u>	<u>125,666</u>
Current assets				
Inventories	16	-	11,815	10,976
Trade and other receivables	17	17,324	56,704	91,788
Cash and cash equivalents		<u>57,772</u>	<u>101,713</u>	<u>70,228</u>
		<u>75,096</u>	<u>170,232</u>	<u>172,992</u>
Total assets		<u><u>75,096</u></u>	<u><u>171,618</u></u>	<u><u>298,658</u></u>
Current liabilities				
Trade and other payables	18	(59,876)	(186,091)	(170,494)
Loans and borrowings	19	(9,857)	(89,700)	(107,177)
Fuel hedge liability	20	-	-	(2,891)
Lease liabilities	22	-	-	(109,624)
		<u>(69,733)</u>	<u>(275,791)</u>	<u>(390,186)</u>
Net current assets/(liabilities)		<u>5,363</u>	<u>(105,559)</u>	<u>(217,194)</u>
Net assets/(liabilities)		<u><u>5,363</u></u>	<u><u>(104,173)</u></u>	<u><u>(91,528)</u></u>
Equity				
Called-up share capital	23	-	-	-
Cash flow hedging reserve	23	-	-	(2,891)
Retained earnings	23	<u>5,363</u>	<u>(104,173)</u>	<u>(88,637)</u>
Total equity		<u><u>5,363</u></u>	<u><u>(104,173)</u></u>	<u><u>(91,528)</u></u>

The financial statements of Abellio ScotRail Ltd (registration number: SC450732 (Scotland)) were approved by the Board of Directors and authorised for issue on 07/03/2024.....

They were signed on its behalf by:



P Wright
Director

The notes on pages 14 to 45 form an integral part of these financial statements.

Abellio ScotRail Ltd

**Statement of changes in equity
For the year ended 31 March 2023**

	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)
	Called-up share capital £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2022	-	-	(104,173)	(104,173)
Profit for the year	-	-	10,117	10,117
Other comprehensive income/(expense)	-	-	-	-
Total comprehensive income	-	-	10,117	10,117
Capital contribution	-	-	99,419	99,419
At 31 March 2023	-	-	5,363	5,363

The notes on pages 14 to 45 form an integral part of these financial statements.

Abellio ScotRail Ltd

Statement of cash flows For the year ended 31 March 2023

	Note	31 March 2023 £ 000	31 March 2022 £ 000
Cash flows from operating activities			
Profit/(loss) before taxation		6,681	(25,720)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment and right-of-use assets	12	-	119,354
Amortisation of intangible assets	12	-	4,420
Impairment/transfers of property, plant and equipment		-	76
Finance income	6	(1,001)	(311)
Finance costs	7	3,751	6,766
Transfer of Trade and Assets*		7,026	-
		<u>16,457</u>	<u>104,585</u>
Working capital changes:			
Decrease in trade and other receivables	17	35,486	34,773
Decrease/(increase) in inventories	16	11,815	(839)
(Decrease)/increase in trade and other payables	18	(110,710)	12,706
		<u>(46,952)</u>	<u>151,225</u>
Cash generated from operations		(46,952)	151,225
Interest received		481	368
Interest paid		(363)	(439)
Net tax		2,893	9,384
		<u>(43,941)</u>	<u>160,538</u>
Net cash flow from operating activities			
Cash flows from financing activities			
Capital contributions	23	99,419	2,891
Capital contribution - unpaid		(99,419)	-
Payment of principal portion of lease liabilities	22	-	(109,194)
Repayment of borrowing	19	-	(23,550)
Dividends paid to non-controlling interests	23	-	800
		<u>-</u>	<u>(129,053)</u>
Net cash flows used in financing activities			
Cash and cash equivalents at 1 April		101,713	70,228
Net (decrease)/increase in cash and cash equivalents		<u>(43,941)</u>	<u>31,485</u>
Cash and cash equivalents at 31 March			
		<u>57,772</u>	<u>101,713</u>

*Transfer of Trade and Assets, to ScotRail Trains Limited, following cessation of Trade on 1 April 2023.

The notes on pages 14 to 45 form an integral part of these financial statements.

Abellio ScotRail Ltd

Notes to the financial statements For the year ended 31 March 2023

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:

58 Robertson Street
Glasgow
Scotland
G2 8DU

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.

The results of Abellio ScotRail Ltd are included in the consolidated financial statements of N.V. Nederlandse Spoorwegen, which are available from Laan van Puntenburg 100, 3511 ER, Utrecht, The Netherlands, for the period 1 April 2022 to 28 February 2023.

On 28 February 2023, a Management Buy Out ("MBO") was completed where TUK purchased the shares from Abellio N.S.. The Company's results from 1 March 2023 will be consolidated in the future financial statements of TUK.

2 Adoption of new and revised International Financial Reporting Standards

Impact of 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 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture;
- Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use; and
- Amendments to IFRS 3 - Reference to the Conceptual Framework.

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 and IFRS Practice Statement 2 - Disclosure of Accounting Policies;
- Amendments to IAS 8 - Definition of Accounting Estimates;
- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback;
- Amendments to IAS 1 - Non-current Liabilities with Covenants;
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a single transaction.

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 2023

3 Accounting policies

Changes in basis of preparation

The financial statements since inception were prepared in accordance with FRS 101 (Financial Reporting Standard 101) "Reduced Disclosure Framework". However, following the sale in the year to the new ultimate parent company, TUK, and the Company being consolidated into the financial statements of TUK from that date, the financial statements for the financial year to 31 March 2023 are being prepared in accordance with UK adopted International Accounting Standards ("IFRS").

In the financial statements, the principal statements now include a statement of cash flows as well as additional disclosures within the notes in accordance with IFRS and where these have been included, the comparatives have also been provided, which were not shown in the previous financial statements.

In accordance with IFRS 1, management confirm that there is no impact to the historical Statement of profit or loss, Statement of comprehensive income and Statement of financial position.

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

These financial statements are prepared in accordance with UK-adopted international accounting standards as issued by the International Accounting Standard Board ('IASB').

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.

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. This may take some time to complete. In accordance with the requirements of IAS: Presentation and Disclosure, these financial statements are prepared on a basis other than going concern to reflect the fact that trading has ceased. Nevertheless, assets continue to be carried at their recoverable amount which reflects the expected amounts to be recovered on settlement as appropriate. In addition, assets and liabilities are classified as current or non-current in accordance with the contractual terms of those balances and the anticipated timing of settlement.

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 to 31 March 2025 which continue to demonstrate the Company's ability to service its debts as they fall due.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

3 Accounting policies (continued)

Revenue

As trade ceased on 31 March 2022, the revenue reported for the current year in the Statement of profit or loss relate to the cessation of the franchise and balances related to the previous trading.

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.

During the Franchise period, the Company generated revenue from the following activities.

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.

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.

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.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

3 Accounting policies (continued)

Revenue (continued)

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.

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.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

3 Accounting policies (continued)

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 statement of profit or loss 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 statement of financial position date and the gains or losses on translation are included in the statement of profit or loss.

Property, plant and equipment

During the Franchise period, property, plant and equipment were 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.

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

During the current year, all property plant and equipment was transferred to ScotRail Trains Limited.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

3 Accounting policies (continued)

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 statement of profit or loss as incurred.

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.

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 statement of financial position.

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.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

3 Accounting policies (continued)

Leases (continued)

Lease liability (continued)

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 statement of financial position.

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.

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 statement of profit or loss.

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.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

3 Accounting policies (continued)

Intangible assets

During the Franchise period, intangible fixed assets were 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

During the current year, all intangible assets were transferred to ScotRail Trains Limited.

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.

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

During the Franchise period, stocks were 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. During the current year, all inventories were transferred to ScotRail Trains Limited.

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, however following the Franchise period there were no employees and therefore no payments.

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.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

3 Accounting policies (continued)

Defined benefit pension obligation (continued)

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 statement of profit or loss 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 statement of financial position 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 statement of financial position. 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.

During the current year, the defined benefit pension scheme was transferred to ScotRail Trains Limited.

Financial instruments

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 statement of financial position 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.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

3 Accounting policies (continued)

Financial instruments (continued)

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.

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.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

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

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 28.

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 statement of profit or loss 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.

Impairment

An impairment review has been undertaken as at 31 March 2023. 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 £nil (2022: £18,018,857) was recorded as a result of the impairment review. The recoverable amount assessed at 31 March 2023 amounts to £nil (31 March 2022: £1,386,000), being the book value of the fixed assets at 31 March 2023.

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:

	2023 £ 000	2022 £ 000
Passenger income	-	187,496
Franchise subsidies	(1,814)	729,461
Other operating income	11,619	12,959
	<u>9,805</u>	<u>929,916</u>

All revenue arises from operations within the United Kingdom.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

6 Interest receivable and similar income

	2023 £ 000	2022 £ 000
Bank deposits	1,001	311

7 Interest payable and similar charges

	2023 £ 000	2022 £ 000
Interest paid	-	295
Interest payable to group undertakings	3,751	5,117
Interest on obligations under finance leases and hire purchase contracts	-	24
Interest on lease liabilities	-	1,330
	3,751	6,766

8 Staff costs

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

	2023 No.	2022 No.
Drivers	-	1,308
On-train staff	-	1,096
Station staff	-	988
Fleet maintenance staff	-	950
Management and administrative staff	-	637
	-	4,979

The actual headcount from 31 March 2022 to 31 March 2023 has been provided below.

	2023 No.	2022 No.
Drivers	-	1,346
On-train staff	-	1,150
Station staff	-	1,074
Fleet maintenance staff	-	953
Management and administrative staff	-	642
	-	5,165

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

8 Staff costs (continued)

Their aggregate remuneration comprised:

	2023 £ 000	2022 £ 000
Wages and salaries	-	215,782
Social security costs	-	22,004
Other pension costs	-	13,553
Redundancy costs	-	884
Other staff costs	-	1,130
Other employee expense	-	7,423
	<u>-</u>	<u>260,776</u>

Following the end of the Franchise Agreement on 1 April 2022, there were no employees during the year.

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.

9 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2023 £ 000	2022 £ 000
Remuneration	-	151
Company pension contributions to defined benefit schemes	-	12
	<u>-</u>	<u>163</u>

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

	2023 £ 000	2022 £ 000
Remuneration	-	151
Company pension contributions to defined benefit schemes	-	12
	<u>-</u>	<u>163</u>

Retirement benefits accrued to the Director at 31 March 2023 under a defined benefit scheme of £nil (2022: £nil). The pension lump sum accruing to the highest paid Director at the 31 March 2023 was £nil (2022: £nil). The remaining Directors of the Company are remunerated through Abellio entities but not through Abellio ScotRail Ltd.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

10 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2023 £ 000	2022 £ 000
Fees payable for the audit of the Company's annual accounts	150	276
Other	-	6
	<u>150</u>	<u>282</u>

11 Taxation

(a) Tax credited for the year in the statement of profit or loss:

	2023 £ 000	2022 £ 000
Current taxation		
UK corporation tax	(603)	(2,694)
Adjustments in respect of prior periods	<u>(2,833)</u>	<u>(7,074)</u>
	<u>(3,436)</u>	<u>(9,768)</u>
Deferred taxation		
Origination and reversal of timing differences	-	384
Adjustments in respect of prior periods	-	-
Effect of change in tax rates	<u>-</u>	<u>-</u>
Total deferred taxation	<u>-</u>	<u>384</u>
Tax credit in the statement of profit or loss	<u>(3,436)</u>	<u>(9,384)</u>

In addition to the amount credited to the statement of profit or loss, the following amounts relating to tax have been recognised in other comprehensive income:

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

	2023 £ 000	2022 £ 000
Current tax	-	-
Total income tax recognised in other comprehensive income	<u>-</u>	<u>-</u>

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

11 Taxation (continued)

The tax on profit/(loss) before taxation for the year is the same as the standard rate of corporation tax in the UK of 19% (2022: 19%).

The credit for the year can be reconciled to the profit/(loss) in the statement of profit or loss as follows:

	2023 £ 000	2022 £ 000
Profit/(loss) before taxation	6,681	(25,720)
Corporation tax at standard UK rate of 19% (2021: 19%)	1,269	(4,887)
Adjustments in respect of prior periods	3,831	(6,544)
Expenses not deductible	755	1,015
Decrease from transfer pricing adjustments	-	(30)
Deferred tax not recognised	(146)	4,420
Income not taxable	(9,145)	(3,358)
Total tax credit reported in the Statement of profit or loss	(3,436)	(9,384)

Factors that may affect future tax charges

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate had been substantively enacted at the balance sheet date and as a result, deferred tax balances as at 31 March 2023 are measured at 25%.

12 Profit/(loss) for the financial year

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

	2023 £ 000	2022 £ 000
Raw materials and consumables	-	21,751
Depreciation - owned assets	-	6,453
Depreciation - assets held under finance leases	-	3,038
Amortisation - Website development and Software	-	4,420
Depreciation on right of use assets - Machinery	-	105,902
Depreciation on right of use assets - Property	-	519
Depreciation on right of use assets - Other	-	3,442
Rentals receivable under operating leases - Property	(11)	(1,037)
Network Rail access charges	-	296,651
Auditors remuneration (see note 10)	150	282

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

13 Intangible assets

	Website development costs £ 000	Software costs £ 000	Total £ 000
Cost or valuation			
At 1 April 2021	885	12,230	13,115
Additions	-	-	-
At 31 March 2022	885	12,230	13,115
Additions	-	-	-
Disposals	(885)	(12,230)	(13,115)
At 31 March 2023	-	-	-
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
Eliminated on disposal	(885)	(12,230)	(13,115)
At 31 March 2023	-	-	-
Net book value			
At 31 March 2023	-	-	-
At 31 March 2022	-	-	-
At 1 April 2021	195	4,225	4,420

Abellio ScotRail Ltd

Notes to the financial statements (continued)
For the year ended 31 March 2023

14 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	7,205	19,551	2,033	5,831	185	34,805
Disposals	(7,205)	(19,551)	(2,033)	(5,831)	(185)	(34,805)
At 31 March 2023	-	-	-	-	-	-
Depreciation						
At 1 April 2021	3,862	14,204	1,066	4,796	-	23,928
Charge for the period	3,038	4,451	967	1,035	-	9,491
At 31 March 2022	6,900	18,655	2,033	5,831	-	33,419
Eliminated on disposal	(6,900)	(18,655)	(2,033)	(5,831)	-	(33,419)
At 31 March 2023	-	-	-	-	-	-

Abellio ScotRail Ltd

Notes to the financial statements (continued)
For the year ended 31 March 2023

14 Property, plant and equipment (continued)

	Land & Buildings £ 000	Plant & Equipment £ 000	Fixtures & Fittings £ 000	Computer Equipment £ 000	Work in Progress £ 000	Total £ 000
Net book value						
At 31 March 2023	-	-	-	-	-	-
At 31 March 2022	305	896	-	-	185	1,386
At 1 April 2021	3,343	4,927	967	1,035	681	10,953

Work in progress consisted 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.

Following the cessation of the franchise, all assets were transferred to the new operator, ScotRail Trains Limited as part of the Net Asset Settlement on 31 March 2022.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

15 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	16,087	-	-	16,087
Disposals	(16,087)	-	-	(16,087)
At 31 March 2023	-	-	-	-
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	16,087	-	-	16,087
Eliminated on disposal	(16,087)	-	-	(16,087)
At 31 March 2023	-	-	-	-
Carrying amount				
At 31 March 2023	-	-	-	-
At 31 March 2022	-	-	-	-
At 1 April 2021	105,912	519	3,862	110,293

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

Following the cessation of the franchise, all assets were transferred to the new operator, ScotRail Trains Limited as part of the Net Asset Settlement on 31 March 2022.

	2023 £	2022 £
Amounts recognised in profit and loss account		
Depreciation expense on right-of-use assets	-	109,863
Interest expense on lease liabilities	-	1,330
Expense relating to leases of low value assets	-	29
Income from subleasing right-of-use assets	-	4
	-	111,226

At 31 March 2023, the Company no longer holds leases.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

16 Inventories

	31 March 2023 £ 000	31 March 2022 £ 000	1 April 2021 £ 000
Fuel stocks	-	1,110	521
Engineering spares	-	10,705	10,455
	<u>-</u>	<u>11,815</u>	<u>10,976</u>

17 Trade and other receivables

	31 March 2023 £ 000	31 March 2022 £ 000	1 April 2021 £ 000
Trade receivables	1,612	15,962	5,451
Other receivables	2,378	-	35
VAT	735	18,490	16,362
Accrued income	5,484	11,280	66,560
Prepayments	-	964	2,065
Amounts due from group undertakings	7,115	8,270	1,207
Income tax asset	-	1,738	108
	<u>17,324</u>	<u>56,704</u>	<u>91,788</u>

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

18 Trade and other payables

	31 March 2023 £ 000	31 March 2022 £ 000	1 April 2021 £ 000
Trade payables	15,523	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	3,192	21,740	27,842
Other payables	41,161	25,722	17,290
Deferred season ticket income	-	815	452
Amounts due to related parties	-	873	1,434
	<u>59,876</u>	<u>186,091</u>	<u>170,494</u>

Loan interest due to group undertakings are unsecured, repayable within 12 months, and relates to loans and borrowings shown in note 19.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

19 Loans and borrowings

	31 March 2023 £ 000	31 March 2022 £ 000	1 April 2021 £ 000
Loan due to Transport UK Holdings Limited	-	37,000	37,000
Loan due to Abellio Transport Holding B.V.	9,857	25,000	25,000
Loan due to Nederlandse Spoorwegen	-	27,700	27,700
Loan due to Transport Scotland	-	-	17,477
	<u>9,857</u>	<u>89,700</u>	<u>107,177</u>

The amounts due to group undertakings are unsecured and repayable on demand. Interest is charged at 4%. During the year, the holder of the Parent Company Support Loans agreed to waive £57,708k of the loan facility. The loan waivers arise from the parent acting as parents/shareholders and have therefore been treated as a capital contribution accounted for in equity with no gain or loss being recognised in the Income Statement. The remaining balance of £9,857k is repayable upon demand, incurring interest of 4% per annum. The loan in place with Abellio Transport Group of £41,711k was also waived in full in the period.

	31 March 2023 £ 000	31 March 2022 £ 000	1 April 2021 £ 000
Less than 1 year	<u>9,857</u>	<u>89,700</u>	<u>107,177</u>

20 Financial liabilities

	31 March 2023 £ 000	31 March 2022 £ 000	1 April 2021 £ 000
Current liabilities			
Fuel hedge liability	<u>-</u>	<u>-</u>	<u>2,891</u>

At 31 March 2023, there were no non-current fuel hedge liabilities.

All fuel hedge contracts expired at 31 March 2022.

There were no hedges in place in the financial year and hence no relevant calculations.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

21 Financial instruments

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 March 2023

	FVTPL £ 000	FVTOCI £ 000	Financial assets - amortised cost £ 000	Financial liabilities - amortised cost £ 000	Total £ 000
Carrying amount					
Financial assets					
Trade and other receivables	-	-	17,324	-	17,324
Cash and cash equivalents	-	-	57,772	-	57,772
	-	-	75,096	-	75,096

	FVTPL £ 000	FVTOCI £ 000	Financial assets - amortised cost £ 000	Financial liabilities - amortised cost £ 000	Total £ 000
Carrying amount					
Financial liabilities					
Trade and other payables	-	-	-	59,876	59,876
Loans and borrowings	-	-	-	9,857	9,857
	-	-	-	69,733	69,733
	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000	

Fair value

Derivative financial instruments	-	-	-	-	-
	-	-	-	-	-

Abellio ScotRail Ltd

Notes to the financial statements (continued)
For the year ended 31 March 2023

21 Financial instruments (continued)

31 March 2022

	FVTPL £ 000	FVTOCI £ 000	Financial assets - amortised cost £ 000	Financial liabilities - amortised cost £ 000	Total £ 000
Carrying amount					
Financial assets					
Trade and other receivables	-	-	55,740	-	55,740
Cash and cash equivalents	-	-	101,713	-	101,713
	-	-	157,453	-	157,453
	FVTPL £ 000	FVTOCI £ 000	Financial assets - amortised cost £ 000	Financial liabilities - amortised cost £ 000	Total £ 000
Carrying amount					
Financial liabilities					
Trade and other payables	-	-	-	179,609	179,609
Loans and borrowings	-	-	-	89,700	89,700
	-	-	-	269,309	269,309
	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000	
Fair value					
Derivative financial instruments	-	-	-	-	-
	-	-	-	-	-

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

21 Financial instruments (continued)

31 March 2021

	FVTPL £ 000	FVTOCI £ 000	Financial assets - amortised cost £ 000	Financial liabilities - amortised cost £ 000	Total £ 000
Carrying amount					
Financial assets					
Trade and other receivables	-	-	89,723	-	89,723
Cash and cash equivalents	-	-	70,228	-	70,228
	-	-	159,951	-	159,951
	FVTPL £ 000	FVTOCI £ 000	Financial assets - amortised cost £ 000	Financial liabilities - amortised cost £ 000	Total £ 000
Carrying amount					
Financial liabilities					
Derivative financial instruments	2,891	-	-	-	2,891
Trade and other payables	-	-	-	164,609	164,609
Loans and borrowings	-	-	-	107,177	107,177
Lease liabilities	-	-	-	109,264	109,264
	2,891	-	-	381,050	383,941
	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000	
Fair value					
Derivative financial instruments	2,891	-	-	2,891	
	2,891	-	-	2,891	

The derivative financial instruments are commodity swap fuel contracts, and the discounted cash methodology is discussed in note 20. There are no differences between the carrying value and fair values for the financial assets and liabilities stated at amortised cost.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

22 Lease liabilities

	31 March 2023 £ 000	31 March 2022 £ 000	1 April 2021 £ 000
Maturity analysis			
Year 1	-	-	109,624
Year 2	-	-	-
	<u>-</u>	<u>-</u>	<u>109,624</u>
Less: unearned interest	-	-	-
	<u>-</u>	<u>-</u>	<u>109,624</u>
	<u>-</u>	<u>-</u>	<u>109,624</u>
	31 March 2023 £ 000	31 March 2022 £ 000	1 April 2021 £ 000
Analysed as:			
Non-current	-	-	-
Current	-	-	109,624
	<u>-</u>	<u>-</u>	<u>109,624</u>
	<u>-</u>	<u>-</u>	<u>109,624</u>

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

The total cash outflow for leases amounts to £nil (2022: £nil).

23 Equity

Share Capital

	31 March 2023 £	31 March 2022 £	1 April 2021 £
1 Ordinary share of £1	<u>1</u>	<u>1</u>	<u>1</u>

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 statement of profit or loss only when the hedged transaction impacts the statement of profit or loss, 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 2023

24 Contingent liabilities

The Company, as the franchisee, had procured a performance bond in favour of Transport Scotland. This bond was in place for the franchise term and expired on 13 December 2022. The performance bond amount as at 31 March 2023 was £nil (2022: £43,538,000).

In addition, Abellio ScotRail Ltd, as the franchisee, had procured a season ticket bond in favour of Transport Scotland. The maximum season ticket and smart card bond value as at 31 March 2023 was £nil (2022: £2,608,000). The bond expired on 1 April 2022, following the end of the franchise.

25 Capital commitments

At 31 March 2023, amounts contracted for but not provided in the financial statements for the purchase of property, plant and equipment amounts to £nil (2022: £nil).

26 Financial risk management

The Company's principal financial liabilities comprise trade and other payables and external borrowings. The Company's principal financial assets include trade receivables, and bank balances.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risk is primarily attributable to its trade receivables. As the franchise came to an end on 31 March 2022, there has been no trading activity in the financial year to March 2023 and the trade receivables balance largely represents aged balances which continue to unwind. As at the reporting date, the prudence concept has been applied with all aged trade receivables balances being provided for. Ultimately, the Company has no significant credit risk given the minimal trade.

The credit risks provided for as at the statement of financial position date are as follows:

	2023	2022	2021
	£	£	£
At 1 April	155,968	867,798	47,965
Provided	-	-	793,342
Utilised	-	-	-
Released	(62,298)	(711,830)	-
As at 31 March	<u>93,670</u>	<u>155,968</u>	<u>841,307</u>

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

26 Financial risk management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company closely monitors its cash balance through short-term and long-term forecasting to ensure that there is sufficient cash resources to meet financial obligations as they fall due. The Company has cash of £57.8m at the statement of financial position date (2022: £101.7m). Ultimately, the credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The following are the undiscounted contractual maturities of financial liabilities:

31 March 2023	Carrying amount £ 000	Contractual Cashflow £ 000	0-1 years £ 000	1-2 years £ 000	2-5 years £ 000
Lease liabilities	-	-	-	-	-
Trade and other payables	59,876	59,876	59,876	-	-
	<u>59,876</u>	<u>59,876</u>	<u>59,876</u>	<u>-</u>	<u>-</u>
31 March 2022	Carrying amount £ 000	Contractual Cashflow £ 000	0-1 years £ 000	1-2 years £ 000	2-5 years £ 000
Lease liabilities	-	-	-	-	-
Trade and other payables	186,091	186,091	186,091	-	-
	<u>186,091</u>	<u>186,091</u>	<u>186,091</u>	<u>-</u>	<u>-</u>
31 March 2021	Carrying amount £ 000	Contractual Cashflow £ 000	0-1 years £ 000	1-2 years £ 000	2-5 years £ 000
Lease liabilities	109,624	-	109,624	-	-
Trade and other payables	170,494	170,494	170,494	-	-
	<u>280,118</u>	<u>170,494</u>	<u>280,118</u>	<u>-</u>	<u>-</u>

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

26 Financial risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any long-term debt obligations linked to market interest rates and is therefore not exposed to this risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company does not have any material operating activities denominated in a foreign currency so is therefore not exposed to this risk.

27 Related party transactions

The Company is controlled by Transport UK Holdings Limited. In the year ended 31 March 2022, the Company had taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions or balances with entities which are wholly owned subsidiaries of the ultimate parent company (or investees of the Company qualifying as related parties).

In the year ended 31 March 2023, requirements under IFRS no longer allow for these exemptions so the prior year balances have been restated to include entities for which we had not previously been required to include.

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				
2023	-	-	-	-
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 2023, the Company has not recognised any impairment or experienced any credit loss under IFRS 9 relating to amounts owed by related parties (2022: £nil).

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

28 Retirement benefits

Railway Pension Scheme — ScotRail Section

The Company was a member of a defined benefit pension scheme, which is funded. All eligible employees were 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 were paid to the scheme at rates recommended by the actuaries and the assets of the scheme were held in a separately administered trust. The schemes' assets were 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 and this scheme and ASR's liabilities thereon were transferred alongside everything else at end of franchise.

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

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

Net defined benefit position

	2023 £ 000	2022 £ 000
Cash and cash equivalent	-	119,917
Equity instruments	-	763,783
Debt instruments	-	5,592
Real estate	-	83,961
Other	-	64,427
Total fair value of scheme assets	-	1,037,680
Present value of scheme liabilities	-	(1,438,663)
Franchise adjustment	-	240,590
Defined benefit obligation	-	(160,393)
Members' share of deficit	-	(160,393)
Deficit in the scheme	-	-
Related deferred tax asset	-	-
Net pension liability	-	-

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

28 Retirement benefits (continued)

Scheme assets are stated at their market value at the respective statement of financial position 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:

	2023 £ 000	2022 £ 000
Current service cost	-	38,693
Administrative expenses	-	1,586
Interest expense on defined benefit obligation	-	18,172
Interest income on pension scheme assets	-	(12,410)
Interest on franchise adjustment	-	(5,901)
Franchise adjustment	-	(26,074)
Amount charged in arriving at the loss for the financial year	-	14,066

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

	2023 £ 000	2022 £ 000
Return on plan assets	-	103,272
Loss from changes in members' share	-	(36,098)
Change in assumptions	-	(13,015)
Gain on franchise adjustment	-	(54,159)
Total re-measurement recognised in the statement of comprehensive income	-	-

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

	2023 £ 000	2022 £ 000
Fair value of scheme assets at 1 January	-	921,951
Expected return on plan assets	-	102,426
Cash contributions - employer	-	14,066
Cash contributions - employee	-	9,126
Interest income - employer	-	12,410
Interest income - employee	-	8,273
Benefits paid	-	(27,928)
Administration expense	-	(2,644)
Fair value of schemes assets	-	1,037,680

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.

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

28 Retirement benefits (continued)

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

	2023 £ 000	2022 £ 000
Defined benefit obligation at 1 January	-	1,359,052
Current service cost - employer	-	38,693
Current service cost - employee	-	25,544
Benefits paid	-	(27,928)
Interest expense - employer	-	18,172
Interest expense - employee	-	12,115
Effect of changes in financial assumptions	-	15,865
Effect of changes in demographic assumptions	-	(2,850)
Defined benefit obligation	-	1,438,663

The following assumptions have been used:

	31 March 2023	31 March 2022
Rate of increase in salaries	-	3.2%
Rate of increase of pensions	-	3.2%
Discount rate	-	2.7%
Inflation assumption	-	3.2%
Expected rates of return on assets by scheme	-	2.7%

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%

Abellio ScotRail Ltd

Notes to the financial statements (continued) For the year ended 31 March 2023

29 Ultimate parent and controlling undertaking

The Company's immediate controlling party is Transport UK (Operations) Ltd (formerly Abellio Transport Holdings Ltd).

The ultimate parent Company and ultimate controlling party is Transport UK Group Limited, a company incorporated in England. On 28 February 2023, the Company's former ultimate parent company, N.V. Nederlandse Spoorwegen, completed a sale transaction to sell all issued shares, with the exception of one share, to Transport UK Group Limited, an entity owned by the former UK Abellio Management team. The sale transaction, which received regulatory and client partner consent, has resulted in the ultimate parent company becoming Transport UK Group Limited.

30 Events after the balance sheet date

Subsequent to the balance sheet date, standard contractual and industry claims were settled. The settlement of these claims have been classified as non-adjusting post balance events, as the conditions on which the settlements were based, arose after the end of the reporting period.