Registration number: SC477821

Serco Caledonian Sleepers Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2023

Contents

Company Information

Directors	Peter Strachan John Whitehurst Gillian Conneely
Company secretary	David Eveleigh
Registered number	SC477821
Registered office	C/O Serco Northlink Ferries Aberdeen Ferry Terminal Jamieson's Quay Aberdeen United Kingdom AB11 5NP
Auditor	KPMG LLP 15 Canada Square London United Kingdom E14 5GL

The Directors present their Strategic Report for the year ended 31 March 2023.

Principal activity

The principal activity of Serco Caledonian Sleepers Limited (the 'Company') is a train operating company, providing overnight sleeper services between Scotland and London.

Fair review of the business

The Company made a loss for the year amounting to £4.3m (2022: loss before exceptional item in relation to OCP release was £3.0m).

In the year ended 31 March 2023, passenger volumes and revenue showed recovery following the Covid-19 pandemic. A Temporary Measures Agreement (TMA) was entered into with Transport Scotland with effect from 1 March 2022 running until 25 June 2023. The TMA provided protection against the loss of revenue due to the impact of the pandemic and the potential of increased cost of continuing to maintain the service against a backdrop of heightened requirements around cleaning and social distancing. The Company continued to perform well against all measures of service delivery. Despite the revenue protections provided by the TMA, interest rates which are outside its bounds increased, lowering the profit margin.

The 15 year Caledonian Sleeper Franchise Agreement commenced on 31 March 2015 and after the seventh anniversary the Company had the right to seek a rebase to the financial terms of the Franchise Agreement that would result in either a small positive profit margin for the Company, or an exit from the contract. The seventh anniversary was reached on 1 April 2022 and on 8 July 2022 the Company submitted its rebase proposals to the Scottish Ministers. On 5 October 2022 the Scottish Ministers notified the Company of its decision not to accept the rebase proposals and, as required in the Franchise Agreement, issued a termination notice confirming that the Franchise Agreement will end on 25 June 2023. On 2 March 2023 Scottish Ministers announced that the franchise would be operated by a new arm's length company. All activities will transfer to this new entity on 25 June 2023, the end date of the Company's contract.

Key performance indicators continued to be safety, timetable achievement, number of guests travelling and customer satisfaction, along with achievement of Franchise Agreement obligations.

Principal risks and uncertainties

The Company's principal financial instruments are its intercompany receivables and amounts payable to other group companies. The Directors do not consider that the Company is exposed to significant interest rate or liquidity risk.

Serco Group plc group of companies (the 'Group') manages and oversees financial risk for all Serco Group entities. A quarterly risk register is maintained by the Company and discussed at Senior Management Team meetings. This input feeds the Group risk register, which is updated at least quarterly, reviewed six-monthly by the Risk Oversight Group and discussed at quarterly board meetings. Risk management is fundamental to how the business is managed. Risk management policies, systems and processes form part of the Serco Management System (SMS). Certain risks identified at Group level also apply to the Company and procedures are put in place within the Company to manage these risks with guidance from the Risk Oversight Group.

Section 172 (1) Statement

The Company is part of the Group, and the Board of Directors of its ultimate parent company, Serco Group plc, (the 'Serco Group plc Board') delegates day-to-day decision-making to the Executive Directors of Serco Group plc and, within defined levels of costs and impact, the Group Divisional leadership teams which includes the Directors of the Company, through a governance framework which, in addition to financial authorities, also covers areas such as risk, ethics, and new sector or country approaches.

Section 172 (1) Statement (continued)

The Group's governance framework is designed to drive high standards of business conduct across the Group and covers the values and behaviours expected of our employees, the standards to which they must adhere, how we engage with stakeholders and how the Board of Serco Group plc looks to ensure that we have a robust system of control and assurance processes.

The Directors of the Company consider that by adopting and adhering to the Group's governance framework they ensure that they give due care and consideration to discharging their duties under the Companies Act 2006, including their duty to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors listed in section 172(1)(a) to (f) of the Companies Act 2006. This disclosure describes how the Board has had regard to those matters and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Further details of the Group's governance framework is provided in the Serco Group plc 2022 Annual Report on page 119.

The Company's principal activity is a train operating company, providing overnight sleeper services between Scotland and London on behalf of the Group, and therefore the Directors consider the needs of the Group in its decision-making as its direct stakeholders and looks to the activities undertaken by the Board of Directors of Serco Group plc (the 'Serco Group plc Board'), the Company's ultimate parent company, in engaging with the Group's wider stakeholders.

The Group's Environmental, Social and Governance ('ESG') Framework, of which the Company forms part, is structured around our key stakeholder and focus on our approach to and progress in delivering our ESG commitments has continued. The Group's progress and performance is summarised in the ESG section of the Serco Group plc 2022 Annual Report on pages 36 to 82.

Further information on how the Serco Group plc Board had regard to the matters set out in section 172 of the Companies Act 2006 can be found on pages 121 to 126 of the Serco Group plc 2022 Annual Report.

Streamlined Energy and Carbon Reporting (SECR)

Serco Caledonian Sleepers is going to play its part to address climate change and further details on the goals set by the Directors along with emissions related information can be found in the Serco Group plc 2022 Annual Report and Accounts on pages 36 to 73.

Approved by the Board on 18 July 2023 and signed on its behalf by:

J. Whitehurst
....
John Whitehurst
Director

Directors' Report
for the Year Ended 31 March 2023

The Directors present their report and the financial statements for the year ended 31 March 2023.

Directors of the Company

The Directors who held office during the year, and subsequently to the date of this report, unless otherwise stated, were as follows:

Gillian Conneely (appointed 10 June 2023)
Peter Strachan
John Whitehurst
Kathryn Darbandi (resigned 5 June 2023)
Christopher Gemmell (resigned 5 June 2023)

Going concern

The Company's sole contract ends in June 2023, and the Directors do not plan to seek alternative contracts or to trade after this date. The accounts are therefore prepared on a basis other than going concern. As a result all non-current balances have been presented as current.

Proposed dividend

The Directors do not recommend the payment of a dividend (2022: £nil).

Employment of persons with a disability

Full and fair consideration is given to applications for employment made by the persons with a disability, having regard to their aptitude and ability. Appropriate training is arranged, including retraining of employees who have become persons with a disability.

Employee involvement

Managers are tasked with developing employees' awareness of factors affecting business and matters concerning them as employees and noting employees' views so that they can be taken in to account when making decisions that may affect them or the business. Regular meetings are held with employee representatives where trade union or staff associations are recognised or where works councils are constituted.

Charitable donations

During the year the Company made charitable donations of £5k (2022: £1k).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2022: £nil).

Streamlined Energy and Carbon Reporting (SECR)

Streamlined Energy and Carbon Reporting is referred to in Strategic Report on page 3.

Disclosure of information to the auditor

The Directors have taken 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. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Post balance sheet events

On 25 June 2023, the exit date, the service transferred from the Company to the new entity. As part of the agreements on handover, all supplier contracts were transferred or novated to the new entity, transferring all post-transfer rights and liabilities. This includes the transfer of leased properties, and associated dilapidations. The rolling stock lease was terminated on the exit date with a related dilapidations balance transferred to the new entity.

Certain assets and liabilities were also transferred at the exit date, primarily in relation to the sales of tickets for the period after the exit date. Intangible and tangible assets were sold to the new entity on exit, that were previously written down to a £nil net book value when the contract was being treated as onerous. This resulted in an accounting profit on sale that has not been reflected in the reported results as it related to exit agreements post balance sheet date. A payment to reflect the estimated £1.5m of assets and £8.3m of liabilities transferred was made to the new entity after the exit date.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 18 July 2023 and signed on its behalf by:

J. Whitehurst
....
John Whitehurst
Director

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102, the Financial Reporting standard applicable in the UK and the Republic of Ireland ("FRS 102").

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

Independent Auditor's Report to the Members of Serco Caledonian Sleepers Limited

Opinion

We have audited the financial statements of Serco Caledonian Sleepers Limited (the 'Company') for the year ended 31 March 2023, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including the accounting policies in note 2.

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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 2 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risk of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Board of Directors, internal audit, internal legal counsel and inspection of policy documentation as to the entity's high level and controls and procedures to prevent and detect fraud as well as whether they have any knowledge of any actual, suspected or alleged fraud;
- Reading Board of Directors minutes; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular.

- the risk that the variable revenue is inappropriately recognized;
- the risk that the entity management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates and judgements such as assessing whether long-term contract are onerous, and determining whether provisions for disputes and litigation are adequate and the assumptions.

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risk of material misstatement due to fraud (continued)

We did not identify any additional fraud risks.

We also performed procedures including:

- identifying journal entries and other adjustments based on risk criteria and comparing the identified entries to supporting documentation. These included entries posted by senior finance management, those posted to seldom used accounts and those posted to unexpected accounts; and
- assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and others management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect:

- health and safety, given the front-line nature of many of the Company's operations;
- anti-bribery and corruption, recognizing the Governmental nature of many of the entity's customers;
- employment law, due to the significant number of employees the Company employs; and
- data protection laws, such as UK General Data protection Regulations.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Members of Serco Caledonian Sleepers Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A further description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Members of Serco Caledonian Sleepers Limited (continued)

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.

Tom Eve (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
United Kingdom
E14 5GL

18 July 2023

Profit and Loss Account
for the Year Ended 31 March 2023

	Note	2023 £000	2022 £000
Turnover	4	58,951	57,662
Cost of sales		(47,677)	(37,228)
Gross profit		11,274	20,434
Administrative expenses		(9,757)	(9,157)
Operating profit	5	1,517	11,277
Interest payable and similar charges	6	(6,094)	(6,841)
(Loss)/profit before tax		(4,577)	4,436
Tax on profit on ordinary activities	10	281	3,028
(Loss)/profit for the year		(4,296)	7,464

The above results were derived from continuing operations.

The notes on pages 15 to 33 form part of these financial statements.

Statement of Comprehensive Income
for the Year Ended 31 March 2023

	Note	2023 £000	2022 £000
(Loss)/profit for the year		(4,296)	7,464
Other comprehensive income for the year:			
Remeasurements of post employment benefit obligations	18	762	822
Deferred tax related to defined benefit pension scheme	10	(191)	-
Total comprehensive (expense)/income for the year		(3,725)	8,286

The notes on pages 15 to 33 form part of these financial statements.

Balance Sheet
as at 31 March 2023
Registration number: SC477821

	Note	2023 £000	2022 £000
Current assets			
Stocks	11	112	11
Debtors	12	6,014	5,402
Deferred tax assets	10	1,020	2,686
Cash at bank and in hand	13	5,079	19,545
		12,225	27,644
Current liabilities			
Creditors: amounts falling due within one year	14	(84,133)	(15,171)
Provisions	16	(844)	(658)
		(84,977)	(15,829)
Total assets less current liabilities		(72,752)	11,815
Creditors: amounts falling due after more than one year	15	-	(80,784)
Provisions	16	-	(68)
Net liabilities		(72,752)	(69,037)
Capital and reserves			
Called up share capital	19	-	-
Other reserves		3,961	3,380
Profit and loss account		(76,713)	(72,417)
Shareholder's deficit		(72,752)	(69,037)

The financial statements were approved by the Board on 18 July 2023 and signed on its behalf by:

J. Whitehurst
....
John Whitehurst
Director

The notes on pages 15 to 33 form part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 March 2023

	Called up share capital* £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 April 2021	-	2,546	(79,881)	(77,335)
Profit for the year	-	-	7,464	7,464
Actuarial gain on defined benefit pension scheme (note 18)	-	822	-	822
Total comprehensive income	-	822	7,464	8,286
Share based payment transactions	-	14	-	14
Tax on share based payment transactions	-	(2)	-	(2)
At 1 April 2022	-	3,380	(72,417)	(69,037)
Loss for the year	-	-	(4,296)	(4,296)
Actuarial gain on defined benefit pension scheme (note 18)	-	762	-	762
Total comprehensive income/(expense)	-	762	(4,296)	(3,534)
Share based payment transactions	-	14	-	14
Tax on share based payment transactions	-	(4)	-	(4)
Deferred tax related to defined benefit pension scheme	-	(191)	-	(191)
At 31 March 2023	-	3,961	(76,713)	(72,752)

* Called up share capital is £1 so rounds to £nil in this table. See Note 19.

Included within 'other reserves' are retirement benefit obligation reserves of £3,834k (2022: £3,262k) and share based payment reserves of £127k (2022: £118k).

The notes on pages 15 to 33 form part of these financial statements.

1. General information

The Company is a private company limited by share capital, incorporated and domiciled in the United Kingdom.

The address of its registered office is:
C/O Serco Northlink Ferries Aberdeen Ferry Terminal
Jamieson's Quay
Aberdeen
United Kingdom
AB11 5NP

The Company is registered in Scotland with company number SC477821. The nature of the Company's operations and its 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 level of rounding is to the nearest thousand ('000) unless otherwise stated.

2. Accounting policies

2.1 Summary of significant accounting policies and key accounting estimates

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.

2.2 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

2.3 Summary of disclosure exemptions

The Company ultimate parent undertaking, Serco Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Serco Group plc are prepared in accordance with UK-adopted International Accounting Standards and are available to the public and may be obtained from the address provided in note 23. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes.
- Key Management Personnel compensation.
- Certain disclosures required by FRS 102.26 Share Based Payments; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

2. Accounting policies (continued)

2.4 Going concern

The Company's sole contract ends in June 2023, and the Directors do not plan to seek alternative contracts or to trade after this date. The accounts are therefore prepared on a basis other than going concern. As a result all non-current balances have been presented as current.

2.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts due for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is split between passenger ticket revenue, retail revenue and franchise payments received from Transport Scotland. Included within franchise payments are amounts received in accordance with the Emergency Measures Agreement as set out in the Strategic Report.

Revenue is deferred when the Company has received consideration under the terms of a contract in advance of performing the related service or delivering the associated goods. Deferred revenue is recognised as revenue in the profit and loss account when advance ticket sales are redeemed and used for journeys. Retail revenue is recognised at point of transaction, when on-board sales are made. Franchise payments which include the amounts received in accordance with the Emergency Measures Agreement are received from Transport Scotland each rail period and are recognised in the period to which they relate.

Penalties incurred and changes to the network rail track access charges are recognised as costs in the period to which they relate.

2.6 Tax

The tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes.

Deferred tax assets are generally recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which these items can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset and liability in a transaction other than a business combination and, at the time of the transaction, affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Accounting policies (continued)

2.6 Tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account except where it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority where the Company intends to settle its current tax assets and liabilities on a net basis.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value and comprise of toiletries for distribution to on-board customers. Cost comprises direct materials and, where applicable, direct labour costs that have been incurred in bringing the inventories to their present location and condition.

2.8 Debtors

Debtors are amounts due from customers for merchandise sold or 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.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value and have a maturity of three months or less from the date of acquisition.

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.11 Basic financial instruments

Trade and other receivables / payables
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are stated at amortised cost using the effective interest method.

Impairment

Financial assets (including trade and other receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2.12 Provisions

Provisions are recognised when the Company has an obligation to make a cash outflow as a result of a past event. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date when settlement is considered to be likely.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Onerous contract provisions (OCPs) arise when the unavoidable costs of meeting contractual obligations exceed the remuneration expected to be received. Unavoidable costs include total contract costs together with a rational allocation of shared costs that can be directly linked to fulfilling contractual obligations which have been systematically allocated to OCPs on the basis of key cost drivers except where this is impracticable, where contract revenue is used as a proxy to activity. The provision is calculated as the lower of termination costs payable for an early exit and the expected loss over the remaining contract period. Where a customer has an option to extend a contract and it is likely that such an extension will be made, any loss expected to be made during the extension period, is included within the calculation. However, where a profit can be reasonably expected in the extension period, no credit is taken on the basis that such profits are uncertain given the potential for the customer to either not extend or offer an extension under lower pricing terms. The onerous contract provision is discounted where the effect is material.

2. Accounting policies (continued)

2.13 Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

2.14 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2.15 Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

For defined contribution plans contributions are paid into publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expenses when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

2.16 Defined benefit pension obligation

For defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit actuarial cost method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the year in which they occur. They are recognised outside the profit and loss account and are presented in the statement of comprehensive income.

The current service cost represents the increase in the present value of the scheme liabilities expected to arise from employee service in the current year.

Past service cost is recognised immediately to the extent that the benefits are already vested, and is amortised on a straight line basis over the average year until the benefit vests. Gains and losses on curtailments or settlements are recognised in the year in which the curtailment or settlement occurs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

2. Accounting policies (continued)

2.17 Share based payments

The Company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the ultimate parent. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, which are described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements. As described below, many of these areas of judgement also involve a high level of estimation uncertainty.

Leases

The Company makes use of leases in the operational delivery of its contract. The majority of the Company's operational leases are entered into either for the duration of the contract, or with a termination option included, allowing the Company the option to exit the lease if it so desires. As a result, the most significant judgement that is made in relation to leases, is the derivation of the lease term at the outset of the lease. Extension and cancellation options included in leases, where the Company has the unilateral option to exercise, are included when assessing the lease term only to the extent that it is more likely than not they will be exercised. This assessment is revisited whenever the circumstances of a contract change, or more frequently if Management become aware of a change in the probability of exercising such options.

Retirement benefit obligation

Identifying whether the Company has a retirement benefit obligation as a result of contractual arrangements entered into requires a level of judgement, largely driven by the legal position held between the Company, the customer and the relevant pension scheme. The Company's retirement benefit obligations and other pension scheme arrangements are covered in note 18 .

The calculation of retirement benefit obligations is dependent on material key assumptions including discount rates, mortality rates, inflation rates and future contribution rates.

In accounting for the defined benefit schemes, the Company has applied the following principles:

- The asset recognised for the Railways Pension Scheme is equal to the full surplus that will ultimately be available to the Company as a future refund.
- No foreign exchange item is shown in the disclosures as the non UK liabilities are not material.
- No pension assets are invested in the Company's own financial instruments or property.
- Pension annuity assets are remeasured to fair value at each reporting date based on the share of the defined benefit obligation covered by the insurance contract.

4. Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2023 £000	2022 £000
Retail revenue	940	553
Transport Scotland franchise payments	28,958	35,862
Passenger ticket sales	29,053	21,247
	58,951	57,662

The Company's turnover is all earned in the UK.

5. Operating profit

The operating profit is stated after charging/(crediting):

	2023 £000	2022 £000
OCP release	-	(10,516)
Property provision charge	-	51
Operating lease expense	8,531	17,617

6. Interest payable and similar charges

	2023 £000	2022 £000
Other interest payable	330	225
Movement in discount on OCP	-	102
Interest payable to group undertakings	5,764	6,514
	6,094	6,841

7. Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2023 £000	2022 £000
Wages and salaries	9,656	8,002
Social security costs	911	738
Pension costs, defined contribution scheme	86	74
Pension costs, defined benefit scheme	1,223	1,285
Share based payment expenses	14	14
	11,890	10,113

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2023 No.	2022 No.
Provision of rail services	225	204

8. Directors' remuneration

The Directors' remuneration for the year was as follows:

	2023 £000	2022 £000
Directors' remuneration	407	396
Pension contributions	25	20

The Company has 4 Directors (2022: 4 Directors). Two Directors are employed by another Group company for their services to the Group as a whole. Included in the above remuneration amounts are an appropriate allocation of amounts reflecting their qualifying services to the Company.

In respect of the highest paid Director:

	2023 £000	2022 £000
Remuneration	222	218
Pension contributions	1	-

9. Auditor's remuneration

Auditor's remuneration of £35k (2022: £35k) was payable for the audit of the Company's financial statements.

Non-audit services fees amounting to £4k were payable to the auditor during the year (2022: £4k).

10. Tax

Tax credited in the profit and loss account:

	2023 £000	2022 £000
Current taxation		
UK corporation tax	(4)	164
Consortium relief	(2,032)	(803)
Adjustment in respect of prior years	280	297
	(1,756)	(342)
Deferred taxation		
Current year	1,475	(2,686)
Tax credited in the profit and loss account	(281)	(3,028)

The tax credit on loss before tax is lower than the standard rate of corporation tax in the UK of 19% (2022: the tax credit on the profit before tax in higher than the standard rate of corporation tax in the UK of 19%)

The differences are reconciled below:

	2023 £000	2022 £000
(Loss)/profit before tax	(4,577)	4,436
Corporation tax at standard rate	(870)	843
Expenses not deductible for tax purposes	(26)	(15)
Unrelieved tax losses	831	(2,391)
Effect of the use of unrecognised tax losses	-	(818)
Unprovided deferred tax	(382)	(769)
Impact of changes in statutory tax rates	(114)	(175)
Adjustment in respect of prior years	280	297
Total tax credit	(281)	(3,028)

10. Tax (continued)

Factors affecting future tax rate

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted on 24 May 2021 and hence have been reflected in the measurement of deferred tax balances at 31 March 2023.

	2023 £000	2022 £000
Deferred tax		
Temporary differences on assets/ intangibles	(315)	-
Share based payments and employee benefits	(6)	-
Retirement benefit schemes	(23)	-
Derivative financial instruments	(69)	-
Tax losses	(607)	(2,686)
	(1,020)	(2,686)

The movement in the deferred tax asset in the year is as follows:

	2023 £000	2022 £000
At 1 April	(2,686)	-
Deferred tax credited to profit and loss account for the year	1,475	(2,686)
Tax taken directly to reserves - pension	191	-
At 31 March	(1,020)	(2,686)

Unrecognised deferred tax assets
The Company has unrecognised deferred tax assets of £9,717k (2022: £9,410k) comprising temporary differences on assets of £nil (2022: £466k), share based payments and employee benefits of £nil (2022: £40k), retirement benefit schemes of £nil (2022: £20k), other temporary differences of £nil (2022: £56k) and tax losses of £9,717k (2022: £8,828k).

Deferred tax assets have not been recognised in respect of these items because it is not considered probable that future taxable profit will be available against which they can be realised.

11. Stocks

	2023 £000	2022 £000
Other inventories	112	11

12. Debtors

	2023 £000	2022 £000
Trade debtors	620	406
Amounts owed by group companies	74	33
Prepayments	418	1,235
Consortium relief receivable	2,506	1,098
Other debtors	2,396	2,630
	6,014	5,402

Amounts owed by group companies have no fixed repayment date and are payable on demand. Interest is charged on the balance at LIBOR minus 0.2%. On 31 March 2023, the synthetic LIBOR rate was discontinued and was replaced by the Bank of England base rate in this calculation of interest.

13. Cash and cash equivalents

	2023 £000	2022 £000
Cash at bank and on hand	5,079	19,545

14. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	4,754	2,652
Amounts owed to group undertakings	68,872	2,159
Corporation tax	-	758
Other taxation and social security	303	256
Other creditors	7,452	719
Accruals and deferred income	2,752	8,627
	84,133	15,171

Amounts owed to group companies includes £1,411k of accrued interest on loans (2022: £1,595k).

Within amounts owed to group undertakings, there are three loans in place with a group company: £9,557k (2022: £10,619k) which incurs interest at 1 month LIBOR plus 2%; £4,000k (2022: £4,000k) which incurs interest at 9% and £53,165k (2022: £66,165k) which incurs interest at 8.84%. On 31 March 2023, the synthetic LIBOR rate was discontinued and replaced by the Bank of England base rate in this calculation of interest.

15. Creditors: amounts falling due after more than one year

	2023 £000	2022 £000
Loans and borrowings	-	80,784

16. Provisions

	Property £000	Other £000	Total £000
At 1 April 2022	277	449	726
Provision charged	84	34	118
At 31 March 2023	361	483	844
Current liabilities	361	483	844

17. Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2023 £000	2022 £000
Within one year	1,904	7,643
In two to five years	-	1,983
	1,904	9,626

The amount of non-cancellable operating lease payments recognised as an expense during the year was £7,643k (2022: £7,665k).

The most significant leases are those for rolling stock of £1,881k (2022: £9,404k). The remaining lease obligation relates to office premises of £23k (2022: £222k).

The lease commitments include lease contracts for franchise assets which are obligations of the franchise operator for the period of the leases.

18. Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £86k (2022: £74k).

Defined benefit pension schemes

Caledonian Sleepers Section of the Railways Pension Scheme

As a result of franchising obligations under the Caledonian Sleepers contract, the Company sponsors a section of an industry wide defined benefit scheme, the Railways Pension Scheme (RPS), a UK registered pension scheme which is regulated by the Pensions Regulator.

The RPS section is required to be funded over the period for which the franchise is held with a defined benefit liability recognised on the balance sheet to the extent of that obligation in accordance with FRS 102. The RPS is a shared cost arrangement. All costs, and any deficit or surplus is shared 60% by the employer and 40% by the members. Furthermore, under the franchising obligations, the responsibility of the employer is to pay the contributions requested of the trustee whilst it operates the franchise. There is no residual liability or asset for any deficit, or surplus, which remains at the end of the franchise period. In line with UK legislation the trustees review the contributions required every three years. Due to the ringfenced nature of sections within the RPS, the Company has no obligations other than in relation to the section it currently sponsors. Under this scheme members build a 1/60th pension and 1/40th lump sum based upon their pensionable pay. Some members of the RPS are subject to Protected Persons legislation, which requires individual consent to changes to benefits, and certain rights upon transfer between sections of the scheme.

18. Pension and other schemes (continued)

Caledonian Sleepers Section of the Railways Pension Scheme (continued)

The Company's defined benefit obligations are valued by independent actuaries using the projected unit credit method. This reflects service rendered by employees to the dates of valuation and incorporates actuarial assumptions primarily regarding discount rates used in determining the present value of benefits, projected rates of salary growth and long term expected rates of return for plan assets. Discount rates are based on the market yields of high quality corporate bonds in the country concerned.

Contributions payable to the pension scheme for the year were £456k (2022: £463k). The expected contributions to the plan for the next twelve months are £112k (2022: £475k).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2023 £000	2022 £000
Fair value of scheme assets	12,074	12,046
Present value of defined benefit obligation	(15,600)	(21,150)
	(3,526)	(9,104)
Members' share	2,116	3,642
Franchise share	1,410	5,462
Defined benefit pension scheme surplus/(deficit)	-	-

Scheme assets

Movements in the fair value of scheme assets are as follows:

	2023 £000	2022 £000
Fair value at start of year	12,046	10,380
Interest income	340	217
Return on plan assets, excluding amounts included in interest income	(505)	1,311
Employer contributions	456	463
Contributions by scheme participants	295	300
Benefits paid	(463)	(509)
Administrative expenses paid	(95)	(116)
Fair value at the end of year	12,074	12,046

18. Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2023 £000	2022 £000
Cash and cash equivalents	(65)	1,449
Equity instruments	9,333	8,778
Debt instruments	846	66
Real estate	1,029	985
Other	931	768
	12,074	12,046

Actual return on scheme's assets

	2023 £000	2022 £000
Actual return on scheme assets	(165)	1,528

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

Scheme liabilities

Movements in the defined benefit obligation are as follows:

	2023 £000	2022 £000
Present value at start of year	21,150	22,280
Current service cost	1,941	2,022
Effect of changes in financial assumptions	(7,926)	(3,110)
Effect of experience adjustments	311	-
Interest cost	587	467
Benefits paid	(463)	(509)
Present value at end of year	15,600	21,150

During the year there has been a high degree of volatility in the pensions market. Discount rates and short-term inflation rates have been rising since March 2023 which resulted in weighted average durations used for pension schemes decreasing. Concerns over high global inflation, recession, disruption to supply chains due to the war in Ukraine and rising interest rates, compounded by the market volatility in September 2022 due to political events resulted in a sharp rise in bond yields, which increased discount rates used to calculate the defined benefit obligation. This lead to the decrease in the obligation this year.

18. Pension and other schemes (continued)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2023 %	2022 %
Discount rate	4.90	2.80
Future salary increases	3.30	3.50
Future pension increases	2.85	2.85
CPI Inflation - pre-retirement	2.40	2.60
CPI Inflation - post-retirement	2.85	3.10
RPI inflation	3.20	3.50

Post retirement mortality assumptions

The life expectancy tables used by the scheme actuary in valuing the defined benefit obligation for 2023 and 2022 were S3 normal tables with "normal" or "heavy" tables used depending on member segmentation and a base table multiplier.

Allowance for future improvements in mortality from 1 January 2019 onwards has been made in line with the 2021 version of the "CMI core projection" model published by the Institute and Faculty of Actuaries, assuming a long-term improvement rate of 1.25% p.a. For the period 1 January 2013 to 31 December 2018 allowance for future improvements in mortality has been made in line with the 2018 version of the "CMI core projection" model.

Expense recognised in the profit and loss account

	2023 £ 000	2022 £ 000
Amounts recognised in operating profit		
Current service cost	1,166	1,215
Administrative expenses paid	57	70
	1,223	1,285
Amounts recognised in finance income or costs		
Net interest	(5)	-
Total expense recognised in profit or loss	1,218	1,285

18. Pension and other schemes (continued)

Amounts taken to the Statement of Comprehensive Income

	2023 £000	2022 £000
Loss on franchise adjustment	3,499	1,828
Actuarial loss arising from change in member's share	2,849	1,771
Effect of changes in financial assumptions	(7,926)	(3,110)
Effect of experience adjustments	311	-
Return on plan assets, excluding amounts included in interest expense	505	(1,311)
Amounts recognised in the Statement of Comprehensive Income	(762)	(822)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

		2023		2022
	+0.5%	*-0.5%*	*+0.25%*	*-0.25%*
	£000	£000	£000	£000
Adjustment to discount rate				
Present value of total obligation	14,253	17,086	19,387	21,939

		2023		2022
	+0.25%	*-0.25%*	*+0.25%*	*-0.25%*
	£000	£000	£000	£000
Adjustment to rate of inflation				
Present value of total obligation	16,337	14,896	21,932	19,387

		2023		2022
	+0.25%	*-0.25%*	*+0.25%*	*-0.25%*
	£000	£000	£000	£000
Adjustment to rate of salary growth				
Present value of total obligation	15,851	15,353	21,106	20,150

18. Pension and other schemes (continued)

Sensitivity analysis (continued)

The defined benefit obligation as at 31 March 2023 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown, with the exception of increasing the sensitivity of discount rate from 0.25% to 0.5% following the high degree of volatility in the pensions market. There has been no change in the methods and assumptions used in preparing the sensitivity analysis since prior year.

There are no asset-liability matching strategies used by the plan or the entity.

The weighted average duration of defined benefit obligation is 19.0 (2022: 25.4) years.

19. Share capital

Allotted, called up and fully paid shares

		2023		2022
	No.	£	No.	£
Ordinary share capital of £1 each	1	1	1	1

20. Contingent liabilities and contingent assets

The Company is aware that contingent liabilities may exist where there are commercial claims and potential claims which involve or may involve legal proceedings from a range of parties in respect of contracts, employment, health and safety and other laws and regulations, and regulatory and compliance matters that arise in the normal course of business. The timing of resolution of these claims remains uncertain. The Directors are of the opinion, having regard to legal advice received and the Company's insurance arrangements, that it is unlikely that these matters will, in aggregate, have a material effect on the Company's financial position.

21. Commitments

Capital commitments
The total amount contracted for but not provided in the financial statements was £nil (2022: £nil).

22. Related party transactions

The Company is a wholly owned subsidiary of Serco Group plc, and has taken advantage of the exemption afforded within FRS 102 to not disclose transactions or balances with other entities which form part of its group.

There have been no transactions between the Company and any of its Directors, or with any entity or person connected with them, during the year.

23. Parent and ultimate parent undertaking

The Company's immediate parent is Serco Holdings Limited.

The ultimate parent and controlling party is Serco Group plc, a company incorporated in the United Kingdom and registered in England and Wales. Serco Group plc is the parent undertaking of the smallest and largest group to consolidate these financial statements. These financial statements are available upon request from the Company Secretary, Serco Group plc, Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY.

24. Post balance sheet events

On 25 June 2023, the exit date, the service transferred from the Company to the new entity. As part of the agreements on handover, all supplier contracts were transferred or novated to the new entity, transferring all post-transfer rights and liabilities. This includes the transfer of leased properties, and associated dilapidations. The rolling stock lease was terminated on the exit date with a related dilapidations balance transferred to the new entity.

Certain assets and liabilities were also transferred at the exit date, primarily in relation to the sales of tickets for the period after the exit date. Intangible and tangible assets were sold to the new entity on exit, that were previously written down to a £nil net book value when the contract was being treated as onerous. This resulted in an accounting profit on sale that has not been reflected in the reported results as it related to exit agreements post balance sheet date. A payment to reflect the estimated £1.5m of assets and £8.3m of liabilities transferred was made to the new entity after the exit date.