

# **Northern Trains Limited**

## **Annual Report and Financial Statements**

**For the year ended 31 March 2021**

**Company Registration Number 03076444**

Registered office:

Albany House 8th Floor  
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Company information

Company information for the year ended 31 March 2021

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Northern Trains Limited  
Annual Report and Financial Statements – Strategic Report  
For the year ended 31 March 2021

The Directors in preparing this strategic report for the year ended 31 March 2021, have complied with s414C of the Companies Act 2006. The Company is registered and domiciled in England and Wales and is a 100% subsidiary of DfT OLR Holdings Limited.

## **PRINCIPAL ACTIVITIES**

During the year to 31 March 2021 Northern Trains Limited (NTL) has operated as a publicly owned company through a Services Agreement awarded by the Secretary of State for Transport on 1 March 2020. The Services Agreement runs to 1 March 2022. On 1 March 2021, the Department for Transport (DfT) issued a Prior Information Notice advising that they are seeking to obtain a Direct Award for up to 5 years with a fixed period of 2 years running from the end of the current Services Agreement. The Board of NTL believes it is highly likely that the Services Agreement will be extended and the most likely date that the Services Agreement will be extended to is 1 March 2024.

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

## **BUSINESS REVIEW AND FUTURE OUTLOOK**

The Company is focused on working with the Department for Transport (DfT), Rail North Partnership (RNP), Network Rail and other industry partners to deliver our 'Service Promise' every day by operating a robust and resilient railway, transforming the end-to-end experience for our customers.

As with the rest of the rail industry, the COVID-19 pandemic has caused significant and widespread disruption to the NTL business. From the initial lockdown in March 2020, NTL implemented a vastly reduced timetable (approximately 45% of normal service) and stringently followed Government guidance on all business operations. Services were initially provided for key workers only and then for essential journeys only until July 2020 when the first UK national lockdown ended. A revised base timetable operating between 80% - 90% of normal service was introduced in September 2020 to support an uplift in travel demand but was again reduced in January 2021 to 67% of normal service following the third UK national lockdown. A resource and demand led timetable was introduced in May 2021 to best match capacity to demand.

NTL's most significant challenges during the COVID-19 pandemic have been a reduction in the availability of front-line colleagues and the inability to complete essential driver training. Although NTL did not furlough staff, a substantial number of frontline colleagues found themselves in the medically vulnerable categories and were unable to conduct normal duties. Furthermore, all in-cab training had to be paused to limit the exposure of colleagues to the virus. In response to the pandemic, the industry and unions came together to form the Rail Industry Covid Forum (RICF) where mitigations were designed to support operational activities being carried out in a Covid safe environment. A pause in training amounting to 7 months in 2020 exacerbated an already challenging training burden, largely created by the introduction of new trains. As such the amount of outstanding traction and route learning, specifically at the largest depots, such as Leeds and Victoria, will take the whole of 2021 to bring to

more normal levels. Until the training backlog is addressed, there will be an impact on Driver availability to deliver the full timetable due to lacking full competence levels and a reduced service timetable is therefore anticipated in order to ensure resilient delivery. To help address this, we have created a new metric known as "Driver Link Efficiency", which measures the ability of our drivers to operate routes and traction. The training challenge is managed and monitored closely with our Operations Delivery Group keeping track on progress. We still have ongoing COVID related training restrictions, however the training programme will continue throughout 2021 and into 2022.

NTL runs a highly complex network and serves a large section of the UK – in fact, around one in five of all UK stations is a Northern station. During the pandemic, our focus has been on stabilising train operations and running services on time. We have been proud to keep services running for those who really need them, including our fellow key workers. As people have followed the various stages of Government advice – stay at home, essential travel only, minimise travel – our customer numbers have reduced significantly. This has had a significant impact on our passenger revenue which dropped to 5% of pre-COVID levels at the start of the pandemic. During the summer, as restrictions eased, we saw recovery as high as 35% for revenue and 32% for demand, however following the winter lockdown revenue was around 25% of pre-COVID levels by the financial year-end. The strongest recovering markets in the year were leisure and advance purchase with shorter distance journeys remaining relatively resilient following the re-introduction of restrictions when compared with longer distanced journeys. NTL has prioritised running a service for customers that is both resilient and reliable. Our top priority for 2021/22 is to recover from the impacts of the pandemic and increase revenue, whilst retaining our focus on maintaining a reliable and stable service and train cleanliness, which is key to customer satisfaction.

As we progress through the stages of the Government's road map to recovery our focus remains on providing reassurance to customers as they return to rail, rebuilding confidence through a safe travel experience. As restrictions ease further, we'll help people feel good about rail travel and NTL, encouraging new users and helping people and communities thrive again, leading the charge on normalisation and supporting customers to 'Go do your Thing', which is the theme of our new marketing and media campaign.

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

NTL has a key role to play in Government's policy of supporting economic recovery in the North post COVID-19 and in driving value for money and efficiency in the industry. It is our vision to Make a positive impact for the North, in all that we do and for all we serve – we want to modernise this business for our people, our customers, our stakeholders, the taxpayer and the North's residents and visitors. Our business plan sets out our priorities and ambitions over a 10-year horizon. It demonstrates how we will support immediate recovery over the next 12 months and in the medium to longer term the role we will play in helping the region build back better and drive sustainable economic growth as a good and efficient operator. We know that the services we provide are valued by our customers, colleagues and stakeholders, however we have partnered with a leading consulting services company to fully understand our socio-economic impact on the North. Their detailed report found that (based on pre-pandemic levels of activity) :

- **We deliver good value for taxpayer money.** Every one pound invested in the NTL network by the Government generates £1.24 of GVA, returns £1.84 of welfare benefit and supports £2.50 of economic activity.
- **NTL is a driver of growth and jobs in the region.** In 2020 NTL generated £620 million of Gross Value Added (GVA), directly employing 6,700 people and supporting 4,300 further jobs through its supply chains. 45% of our procurement spend is retained in the North.
- **Our services tie the region together, and help people work, shop and travel.** By connecting the North our services supported £1.25 billion of economic activity.
- **This has knock-on benefits across the region.** We deliver welfare benefits of £920 million per year through benefits to both users and non-users.

By better understanding the value that NTL brings, we will be able to pinpoint the priority areas for investment and the value for money interventions needed to achieve our Vision to make a positive impact for the North.

Despite the challenges of the pandemic, we have delivered on some significant modernisation projects in the year, including completing the introduction of 101 new trains which forms 27% of the units in our current fleet, retiring all Pacers trains during the year and completing the first phase of refurbishment of 267 units (71%) of our existing fleet and are continuing with the modernisation of our trains including the continued roll out of digital trains. We are continuing to review our fleet strategy to ensure we will have the best trains for our customers in future years, embracing modern technology and fuel types. Additionally, in April 2021, we opened the expanded Newton Heath maintenance depot to accommodate the maintenance requirements of our 58 new Class 195 fleet units.

Our Vision is underpinned by four strategic ambitions:

1. **Customers at the Heart** – Our business is about serving customers who want to be connected. It is about understanding and fulfilling their needs as individuals and valuing the places our stations provide to the communities they serve. We will measure the steps we take on our journey through improvements in overall customer satisfaction and Net Promoter Score (NPS).
2. **Valued People** – Our success is critically dependent on our team of colleagues and partners. Our business will be forward-thinking, collaborative and will embrace values of the diverse and inclusive communities that are home to our colleagues. We will measure the steps we take on our journey through improvements in colleague engagement.
3. **Operational Excellence** – Our service delivery will consistently and safely produce the best possible quality performance. Our operations will place people and technology in harmony. The railway will be optimised as a system and it will be intelligently enabled through the deployment of appropriate digital technologies and the skills of our colleagues. We will measure the steps we take on our journey through improvements in train service punctuality and reliability.
4. **Sustainable Growth** – Delivering value for both customers and the wider communities we serve. Our cost-efficient operations will be environmentally optimised, contribute to wider Government policies of investment in the North and be overall value generative. We will

measure the steps we take on our journey through improvements in the service agreement subsidy we receive per passenger mile.

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

NTL has significantly invested in our people since moving into new ownership in March 2020, despite the many challenges we have faced from the pandemic. This included the complex implications of managing and supporting clinically vulnerable colleagues while keeping the trains running for essential workers.

Over the past 12 months the Company has recruited an additional 415 posts, either in business critical or frontline roles, bringing the total headcount to 6,759. These additional jobs have not only provided additional resilience and capability within NTL but have also contributed to supporting the economy of the North.

We have heavily invested in learning and development, alongside a new strategy to attract the best talent. Our ambition is to lead the industry when it comes to driver training, which includes state-of-the-art driver training simulators alongside classroom and on-the-job learning.

NTL has a robust Diversity and Inclusion strategy as it aims to create a great place to work, for everyone. In a survey conducted in March 2021, more than 80% of colleagues agreed that NTL is committed to building a welcoming and inclusive workplace. We were recently awarded the silver Investors in People award and have been widely recognised in the media and wider industry for our innovative work around transgender awareness in the workplace.

NTL is taking a new approach to engagement, making sure that employee voice is at the heart of decision-making and that views are heard by senior leaders. We introduced a new listening platform early in 2021, enabling us to monitor satisfaction with work more frequently – which, in turn, lends itself to faster action planning to make improvements.

Alongside better listening, we are actively improving other areas that drive engagement, including development for line managers and leaders, a new internal communications strategy, and a clear vision and direction for everyone who works at NTL. We recently launched our revised Health and Wellbeing strategy, with a particular focus on supporting colleagues' mental health and reducing absence relating to mental health conditions.

We have launched our new vision, values, brand and behaviours at the same time as our new business plan, recognising that how we get things done is just as important as what we do as a business. This work will be used to drive the culture change at NTL, ensuring that the customer is at the heart of everything we do, and eventually extending to the wider supply chain, partners, and stakeholders.

*Our relationship with suppliers and rail industry partners*

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

Our relationship with Network Rail continues to strengthen as we work collaboratively on timetable changes and industry wide projects. COVID-19 has driven down passenger numbers and fare revenue across the industry, bringing into sharp focus our cost base and the importance of attracting passengers back to the railway. NTL forms part of the North West and Central Railway Efficiency Board which includes representatives from train operators and Network Rail working as one team to implement ways to be more efficient while improving service for passengers. The Board complements existing efficiency programmes within organisations across the industry by identifying opportunities that can only be achieved by cross-industry working. An example of this during this financial year is that we have been working collaboratively with the North West & Central team in Network Rail to understand the whole industry position on one of our branch lines to identify opportunities to grow revenue and operate more efficiently.

Throughout 2020/21, we have continued to support our suppliers as they faced their own challenges as a result of the pandemic, working closely with our suppliers, particular smaller organisations, and being flexible on payment terms as each circumstance required.

The recently published Williams-Shapps Plan for Rail is a positive step for the industry. The DOHL Board is engaging with DfT and other industry stakeholders to identify how NTL and the DOHL Group can support the progression of the commitments in it. It is not expected that there will be a material impact on the financial prospects of NTL in the short or medium term as a result of the plan. Long term, there are currently discussions underway between the private sector Train Operating Companies (TOCs) and the DfT regarding future contractual relationships which have amended terms and bases. How these changes will affect the scope and scale of NTL is currently uncertain.

*Our relationship with customers, stakeholders and business partners*

During 2021 we have started our journey of transformation to deliver an exceptional experience, by creating the foundations to become a truly customer centric organisation through:

- An insight led approach to inform our customer experience strategies. Deploying a new customer feedback platform, Qualtrics, gathering high volume, real time feedback across multiple channels. Recruiting a customer panel for ad hoc deeper research. Turning insight in to targeted action through our new insights to actions programme to drive continuous improvement.
- A service design led approach across our end-to-end target customer journey. Developing customer journey mapping tools across the business to design and optimise customer experiences' and embedding a customer first culture. A clear focus for the future on removing barriers and pain points and delighting our customers.



- A digital first approach, investing in digital capabilities to provide a single view of our customers. Transforming our contact strategy bringing in-house services to drive improvements to customer satisfaction and deploying a new webchat functionality to support customer self-serve. A single customer view enabling us in the future to deliver a unified cross-channel experience so we know who our customer is, what they want, and we can tailor and personalise the service accordingly.

Our stakeholders are vital partners in delivering our vision of having a positive impact on the North. During 2020/21 we have built strong foundations to rebuild our reputation and to build increasing trust and confidence amongst our extensive stakeholder network. We quickly adapted our engagement programme to address the challenges of the pandemic, supplementing our traditional approach with more frequent online briefing and update sessions. Stakeholders have welcomed our greater transparency and collaborative approach, something we will continue to build on with our future plans.

Alongside our engagement plans, we are improving our supporting stakeholder communication materials, such as our newsletters, providing more insight on key issues and developments across the business and enabling our stakeholders to share with their own networks.

We continue to engage with stakeholders on a range of issues to understand their plans and aspirations, and the role that NTL can play in achieving these and improved socio-economic outcomes for the region. Our strengthened Strategic Planning Team includes our own economic analysis experts to better support this work. It provides specialist insight for scheme development and NTL are taking a key role in creating a rail network that will underpin sustainable economic growth across the North.

We also recognise that our stakeholder network is not static, and actively seek new organisations and networks to engage with so we can better meet the varied needs across the region we serve. We are also developing a range of speaking opportunities across externally hosted events, increasingly outside of the rail and transport sector to further these aims.

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

Our customers and the diverse communities we serve are at the heart of all we do, and we are proud to support over 20 community rail partnerships, station adoption groups at most of our stations and many other community partners across our network. Through harnessing our collective energies, we engage in a range of schemes and projects which:

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

We have dedicated Community Managers based across our network who actively work to identify opportunities to strengthen links with local communities and our approach to community engagement links strongly with other business areas such as our Equality, Diversity and Inclusion Strategy and our

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**Sustainable Development Strategy.** Many NTL colleagues support the work of our partners and volunteer or support projects in their own right. Our Community Engagement Strategy, and our partners are supported by funding available either through direct channels or funds that groups can bid into for specific projects.

We hold an annual conference and publish an annual report to showcase the work of our community partners and share best practice.

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

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

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

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

## **KEY PERFORMANCE INDICATORS**

NTL's financial KPI's in the year were Profit before interest and tax (£9.8m), cash (£63.9m), operating costs (£884.5m), passenger revenue (£75.4m), service agreement subsidy payments from DfT (£782.0m) and Capital expenditure (£33.7m). A review of KPI's has been undertaken during the year and the main financial performance measure in 2021/22 and beyond will be DfT service agreement subsidy per passenger mile.

In addition to monitoring financial performance, we use a range of performance indicators (KPIs) to assess the effectiveness of performance in key activities. As the prior year had only one month of trading there are not any prior year comparatives for the KPIs. During the year a review has been performed of NTL's performance measures and new KPI's and targets have been developed to measure against in future years.

### **Safety**

Safety is at the heart of our approach in running the railway. We are committed to providing a safe working environment for all our colleagues and safe end-to-end journeys for all customers. Headline safety results for the year ended 31 March 2021 include:

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Passenger major injuries per 1 million passenger journeys	0.53
Workforce lost time accidents per 1,000 employees	0.51
Employee physical assaults per 1,000 employees	1.04

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

During the reporting year there have been 80 employees who were physically assaulted, of which 22 resulted in minor injuries. The highest individual cases were related to fare evasion (45% of all physical assaults). A further 14% of physical assaults were the result of anti-social behaviour. 4% of physical assaults were directly attributable to enforcement of COVID-safety restrictions and controls.

The Company's approach to dealing with this risk is twofold, prevention and prosecution. Prevention through training of staff on conflict resolution, a clear policy of not putting yourself at risk and implementing local initiatives that focus on areas where there is increased risk of conflict. CCTV at stations and on trains are accessible to the British Transport Police (BTP) for the pursuit of evidence in such events. All physical assaults are investigated internally.

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

#### **Employee engagement**

NTL completed its first colleague engagement assessment in early 2021, looking for specific feedback on the issues of the last 12 months, as well as a pulse check of general engagement. The results were encouraging, with positive colleague sentiment on specific topics ranging from 61% to 83%. The survey found 58% of colleagues were more satisfied than a year ago with their overall experience at work. Whilst this is not directly comparable with past engagement survey results because of a change in methodology, it signals NTL is taking steps in the right direction. NTL will continue to monitor engagement, alongside colleague sentiment. NTL's target is to achieve year-on-year improvements in engagement, reaching 75% overall engagement by 2025.

#### **Diversity and inclusion**

NTL's talent strategy signals a commitment to improving diversity and inclusion, making sure we are seen as an attractive employer to a wider range of people from different backgrounds and cultures. We have also introduced technology and processes to remove both conscious and unconscious bias from our recruitment processes. It's early days but we are beginning to see some small improvements in

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diversity statistics, with figures heading in the right direction for both female representation and colleagues from ethnic minority backgrounds.

	2020/21	2019/20	YOY Change
No of Colleagues (Headcount)	6,759	6,348	+411 (6.5%)
Diversity (Ethnicity)	320	277	+43 (+15.5%)
Diversity % (Ethnicity)	4.73%	4.36%	+0.37% (+8.5%)
Diversity (Female)	1,255	1,111	+144 (+13%)
Diversity % (Female)	18.6%	17.5%	+1.1% (+6.3%)
BAU Absence %	2.78%*	3.96%	-1.18% (-29.8%)

\*Excludes all Covid-19 related absence and thus we anticipate BAU absence levels to return closer to former levels as we move into a post Covid-19 recovery phase in 2021.

#### Train Performance

Along with other train operators, NTL tracks performance using 3 key industry measures – 'On Time', 'Time-to-3' and 'Time-to-15' which measure punctuality at all station calls along the route. In addition, we also monitor our percentage service cancellations and short formations.

NTL train service performance has significantly exceeded targets throughout the year ended 31 March 2021. In T-3, our basic measure of punctuality of trains arriving at stations within 3 mins of published times, we have delivered a 7.6% improvement from NTL's one period of trading in 2019/20, achieving an annual average of 91.09%. Furthermore, over 76% of our trains arrived at stations on-time, a 21.5% improvement on 2020 results. Of the 660,000 train services NTL ran in the year, only 1.34% were subject to part or full cancellation; a reduction of nearly 3 percentage points compared to the previous year.

There is no doubt that the lower customer demand and reduced timetables across the network have played a significant part in the performance improvement and therefore, the challenge for NTL and all train operators is to reinstate a fuller service without incurring a worsening performance delivery. We have used the opportunities presented by the pandemic to focus on key training delivery to reduce the impact of traincrew related delay or cancellations, and we have engendered a wider accountability for performance improvement across the operational teams.

NTL colleagues have been able to experience what it is like to deliver a high performing train service as well as capture and strengthen aspects that will continue to deliver for customers as rail usage starts to recover. Furthermore, we have developed initiatives, such as greater efficiencies in the resourcing and deployment of traincrew and more robust maintenance regimes, that will provide the most significant benefits to performance. With the Business Plan ambitions and initiatives, in parallel to the strengthening

of the NTL and Network Rail partnership to improve tactical performance measures, there is every confidence that we will be able to deliver the punctual and reliable service expected by our customers.

#### **Customer Advocacy and Satisfaction**

By putting the customers at the heart of everything we do we are moving to a new way of measuring success, using both Net Promotor Score (NPS) and Customer Satisfaction. During 2020/21 we implemented a new customer feedback platform and our own customer survey strategy giving us for the first time the capabilities to gather and measure our own customers feedback. Net Promotor Score (NPS) is a measure of customer advocacy, how likely someone is to recommend us. Customer Satisfaction allows us to understand how satisfied our customers are across multiple touchpoints. All delivering key insights that drive our customer focused improvement plans.

We will continue to work with Transport Focus and Industry Partners to develop a suite of tools to measure customer satisfaction as part of our wider Voice of the Customer Strategy. From the Spring 2020 National Railway Passenger Survey (NRPS) our overall customer satisfaction score was 77%. This is an improvement of +5% on the Autumn 2019 results.

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

Since the start of NTL in March 2020, we have developed and advanced a wide-ranging technology strategy that meets our key business objectives and also maintains and evolves the IS platform that underpins business operations across all functions. We are driving our capability to exploit digital channels to both customers and staff through implementation of a Customer Relationship Management system and other technologies including a Customer and Staff satisfaction application, new Website and smart retailing. We are also introducing a new Operations Management and Rostering system which allows enhanced planning and recovery from disruption. This is linked with a planned £14m upgrade of station Customer Information Systems over the next 4 years. We are rolling out new hand-held and desktop devices to the majority of our employees and are developing digital capabilities through provision of conferencing and personal productivity apps and communication media. An enterprise-wide Business Intelligence and Analytics platform has been implemented to support data-driven decision making. Data from the large fleet of digitally enabled trains now flows into the platform along with other data sets from all business functions. We are progressing a £4.7m capital investment programme in upgrading our IT infrastructure and facilities including Networking, Applications platform, Data Storage platform and Cyber Security.

#### **Working with our suppliers**

NTL issues a Supplier Code of Conduct to its key suppliers outlining how it aspires to manage its long-term supplier relationships and all suppliers are required to agree to these as part of their contract with NTL. Depending on contract value, complexity and risk, contracts are regularly reviewed for performance and have both a Contract Manager from the relevant Directorate, as well as a Procurement Lead assigned to it. In addition to commercial aspects, NTL is working to develop the way in which we can measure Social value through our supply chains.

As an organisation that is subject to the Utilities Contract Regulations (UCR), contracts over the relevant threshold are advertised in Find a Tender Portal (FTS) or through a UCR compliant framework agreement such as the Crown Commercial services frameworks, and outside of this we uphold the

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principles of proportionality, transparency, and equal treatment to ensure best value is achieved with the most suitable suppliers for any project. Any suppliers who work on NTL stations or depots will be requested to be Rail industry supplier qualified to the relevant qualification category. NTL also issues our responsible procurement policy to its key suppliers, this alongside the code of conduct sets out the principles that as a minimum requirement we expect our supply partners to comply with. These follow the United Nations Global Compact's ten principles, and the applicable laws in the countries in which they operate.

We adopt a risk-based approach with our supply base to ensure significant direct labour contracts, such as our Security and Cleaning suppliers, pay at least the National Living Wage to their employees and supply chain. This is specified in the commercial contract and audited on a regular basis.

## **FINANCIAL REVIEW AND DIVIDENDS**

### **Financial performance**

Prior to 1 March 2020 the Company was under the supervision of the Secretary of State for Transport as a dormant entity, therefore the comparatives included in the financial statements only represent 31 days of trading in the year to 31 March 2020.

Turnover for the year ended 31 March 2021 was £894.3m (2020: £74.8m) which reflects ticket income earned from passenger services net of Delay Repay costs, associated income earned from car parks and commission from the sale of tickets on other train operator services, and a service agreement subsidy from the DfT, £782.0m (2020: £53.8m).

The operating expenditure reported in the year was £884.5m (2020: £73.7m), comprising of access charges payable to Network Rail for stations and depots, rolling stock lease costs, staff costs and other operating costs.

Profit before taxation was £8.9m, (2020: £0.7m) with a total profit after taxation of £7.1m (2020: £0.6m).

At 31 March 2021 the Company had net assets of £138.8m (2020: £34.5m).

No dividends have been declared (2020: £nil).

## **GOING CONCERN**

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

NTL is 100% owned by Department for Transport (DfT) OLR Holdings Limited whose ultimate parent undertaking and controlling party is the Secretary of State for Transport and is underwritten by the financial security of the UK government.

The Services Agreement with the DfT runs until 1 March 2022 and includes a service agreement subsidy from the DfT which reflects the revenue and costs in the business. The service agreement subsidy is the balancing amount to bring the profit in line with the agreed pre-defined profit margin between both

parties. On 1 March 2021, the Department for Transport (DfT) issued a Prior Information Notice advising that they are seeking to obtain a Direct Award for up to 5 years with a fixed period of 2 years running from the end of the current Services Agreement to 1 March 2024. If, for any reason, the Services Agreement period was not extended, it is expected that NTL would be paid the value of its assets by a new operator and these funds would be sufficient to settle all liabilities as they fall due. The Board of NTL believes it is highly likely that the Services Agreement will be extended and the most likely date that the Services Agreement will be extended to is 1 March 2024 as it is not expected that the franchise will be removed from Government ownership at the end of the current Services Agreement.

The Company has a funding agreement with DfT OLR Holdings Limited with a facility of £220m which runs until 1 March 2022 and is expected to be extended in line with the extension of the Services Agreement. £nil was drawn down as at 31 March 2021 (2020: £9.7m) as our trading profits were sufficient to cover our cash requirements.

Our business will continue and is central to the recovery of the country economically and socially. Rail workers are defined as key workers (published by the Government on 19 March 2020) and the Government announced on 23 March 2020, that the rail industry was vital to keeping the country moving in terms of both passengers and freight, "The continued operation of both passenger and freight transport is critically important to our resilience as a country". These statements from Government underline the importance of the rail industry during the Covid19 pandemic.

The Directors remain in ongoing dialogue with representatives from the DfT to ensure the Company has sufficient cash to meet its liabilities as they fall due. Accordingly, the financial statements have been prepared on the going concern basis.

## **PRINCIPAL KEY RISKS AND UNCERTAINTIES**

The Company is exposed to several potential external and internal risk factors and uncertainties that could have an impact on the Company's performance. Our Audit and Risk committee plays a pivotal role working alongside the Executive Directors to identify and manage these principal risks.

The business is dependent on passenger numbers which in turn are impacted by external risk factors such as the continuing changes brought about by COVID-19, Brexit, regulatory, economic and competitor activity. Under the terms of the Services Agreement, the Company falls under the regulation of the DfT, and the Office of Rail and Road. Laws and regulations are subject to alteration and amendment and the costs of compliance with new legislation and regulations, including those in relation to the health and safety of our people and passengers, may have an adverse impact on the Company's financial performance. To mitigate the risk from such changes the Company proactively engages with both government and industry groups.

Internal risks include the failure of internal controls and industrial disputes. The Company operates established formal and robust internal processes to ensure systems and controls are operating effectively, and that the quality and integrity of information provided to it are reliable, enabling Directors to monitor and challenge the performance of the Company, and make informed decisions. During the year the Company has also established a new Internal Audit function who have developed a

programme of work through a risk-based analysis of our operations. Our Internal Audit team aim to be at the forefront of strategic and technological developments throughout the business to proactively identify emerging risks so that, as a business, we can manage these as effectively and efficiently as possible.

The threats posed to all organisations through cyber criminality continue to increase, with criminals attempting to exploit human or security vulnerabilities to gain access to passwords, data or misappropriate monies. To mitigate our exposure to this risk the Company has a dedicated in-house Information Security team in place. This team collaborate with all areas of the business to ensure that best practice is followed in respect of information security and have implemented technology to ensure that appropriate controls are in operation to address this key business risk area.

The retention and recruitment of key personnel is essential to ensure the Company has the correct level of expertise and industry knowledge. To mitigate this risk, the Company undertakes efficiency and effectiveness reviews to optimise organisational design and secure a sound base for development of future workforce capability.

#### **Financial Risk Management**

Regular reviews are undertaken of the realisable value of assets and liabilities, and cash flow forecasts are produced to ensure the Company can meet its external liabilities as they fall due.

The Company's activities exposed it to a variety of financial risks. Price risk was managed by the Company having a solid understanding of the markets that it operated within and setting appropriate fares for each of these markets. A proportion of its fares are fixed prices which are set annually and are subject to regulatory approval. Credit risk was managed by cash being held by large high street financial institutions with satisfactory credit ratings, furthermore all significant receivable balances are managed to ensure that the credit quality of the counterparty is satisfactory. Liquidity risk is controlled by the Company ensuring that there is a sufficient mixture of long-term and short-term debt finance to meet planned operations. Cash flow risk is managed by cash flow budgeting and forecasting and availability of long-term debt facilities if required.

#### **Corporate Risk Management**

Corporate risks are regularly reviewed by risk owners and the Director team. Regular updates are made to reflect changing circumstances and counter measures and action plans put in place to mitigate probability of materialisation and impact.

On behalf of the Board



M Williams

**Director**

Date 21 July 2021

Registered Office: Albany House 8th Floor, 94-98 Petty France, London, SW1H 9EA



**Northern Trains Limited**  
**Annual Report and Financial Statements – Directors' Report**  
For the year ended 31 March 2021

The Directors present their annual report, business review and the audited financial statements for the year ended 31 March 2021.

**Directors**

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

T Broxton	(resigned 31 July 2020)
N Donovan	
R Gisby	
R Harrison	
M Powles	(appointed 31 July 2020)
M Williams	(appointed 2 December 2020)
P Williams	(appointed 2 December 2020)

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

**Company Secretary**

The Company Secretary in office during the year is listed below:

S Cunningham (resigned 22 April 2020)

Companies Act 2006 does not require a private company to have a Company Secretary and a replacement for Stéphanie Jade Cunningham has not yet been appointed.

**Charitable and political donations**

The Company made charitable donations of £650 during the year ended 31 March 2021 (2020: £nil). The Company made no political donations.

**Employees**

A culture of inclusion is essential, with NTL being dedicated to address any discrepancies, encourage strong affiliation and transparency and to have a diverse workforce. We promote an environment of equal opportunity and respect across the entire business. The Company recognises its obligation to give disabled people (visible or otherwise) full and fair consideration for all vacancies within the statutory medical requirement, which must be met for certain grades of staff.

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

**Sustainable Development**

NTL's services connect people to essential parts of their lives including access to work, social and health services. Our recent Socioeconomic Assessment has identified that (at pre-pandemic levels of activity) we deliver £920m in benefits to society, giving a significant return on the £500m invested by the government.

Northern Trains Limited  
Annual Report and Financial Statements – Directors' Report  
For the year ended 31 March 2021

With new stations, upgrades, changes to how we power our trains and much more in development we are committed to developing a sustainable, resilient network to serve our communities and our economy in the decade to come and delivery a shift towards a Net Zero Future.

Our vision is **'To make a positive impact for the North in all we do and for all we serve.'** This underpins our approach to Sustainable Development, and we will ensure that our activities support the development of the long-term vision for NTL. By ensuring that all our Sustainable Development activities work alongside this vision we will develop an embedded process, delivering improvements in all the work we do.

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

From 2021 NTL will focus on its overall carbon footprint. Along with our traditional metrics in relation to water consumption, waste elimination, traction, and non-traction energy use, we will give increased attention to the emissions from our supply chain (scope 3 emissions). Together these metrics will be used to determine NTL's overall carbon footprint which will be measured by the amount of CO<sub>2</sub>e emitted per passenger kilometre.

Targets will be set which seek to continually improve NTL's performance and reduce its adverse impact on the environment. One key element in achieving this will be the development of a Rolling Stock Strategy within which the priorities for decarbonisation of rail transport, in line with government policy, will be factored.

Northern Trains Limited  
Annual Report and Financial Statements – Directors' Report  
For the year ended 31 March 2021

Energy & Environment performance for NTL for the year ended 31 March 2021 is summarised below.

	Scope	Total 2020/21*	Carbon tCO <sub>2</sub> e 2020/21*	2020/21 Target
<b>Non-Traction Energy</b>				<b>Year on Year reduction of 1%</b>
Total gas kwh	1	10,875,373	2,260	NTL achieved at year-on-year reduction of 7.7% making performance favourable to target
Total gas oil kwh	1	5,910,559	1,865	
Total non-traction electricity kwh	2	22,335,956	6,436	
<b>Traction Energy</b>				<b>&lt;68.8g CO<sub>2</sub>e per passenger km</b>
Traction diesel (ltrs)	1	38,559,724	130,729	NTL achieved a 20/21 figure of 296g CO <sub>2</sub> e/passenger km making performance adverse to target
Traction electricity (EC4T) kwh	2	127,017,103	36,597	
<b>Water Consumption</b>				<b>Year on year reduction of 1%</b>
Total Water (m3)	3	226,936	267	NTL achieved a year-on-year reduction of 31.4% making performance favourable to target
<b>Waste Elimination</b>				<b>Recycling rate &gt;72%</b>
Waste % Recycled	3	77%	175	NTL achieved a recycling rate of 77% making performance favourable to target
<b>Total tCO<sub>2</sub>e</b>			<b>178,329</b>	
<b>Intensity ratios - Carbon emissions per £million turnover</b>			<b>199</b>	

*\*Traction, non-traction and water figures all contain estimates. These will not materially impact performance v. target. Full dataset will be verified by an independent auditor when actual figures received.*

Whilst 2020/21 saw energy & environmental performance impacted by the effects of the COVID pandemic several initiatives were introduced which assisted in improving performance. Year on year saw a decrease in both water consumption and non-traction energy consumption.

We saw a significant reduction of over 31% in water consumption when compared with the previous year. To help achieve this NTL continued its programme of identifying and rectifying leaks across its network. Savings and refunds generated since this work commenced are more than £150,000. In addition, we commenced a water

Northern Trains Limited  
Annual Report and Financial Statements – Directors' Report  
For the year ended 31 March 2021

logger installation programme which lets us identify consumption issues as and when they happen and subsequently address these issues in a timely manner, saving both water and money. The scope of this programme has since been extended to all Northern locations and will further facilitate NTL in being more resource efficient.

Non-traction energy saw a year-on-year reduction of over 8%. This was assisted by the completion of the LED light installation programme across the network and the implementation of other energy saving initiatives at our engineering locations, such as the introduction of energy sub-metering which lets us identify high energy consuming areas on a depot and focus energy reduction plans on these areas. Investment thus far has been approximately £120,000 and we will continue to proactively seek and implement initiatives that result in energy savings.

The percentage of waste recycled by NTL in the year was 77.2% against a target of 72.0%. Whilst assisted by a reduction in customer waste (which traditionally brings recycling rates down) NTL has standardised its approach to waste management across its engineering depots. Coupled with strong staff engagement this standardisation has made it easier for waste segregation on depots and reduced the amount of contaminated waste streams, leading to an increase in recycling rates.

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

- Pollution prevention – focusing on our Engineering depot locations we will fully ascertain the integrity of assets and put in place plans to ensure pollution risk is adequately controlled.
- Scope 3 emissions – working with our key suppliers we aim to reduce the emissions within the NTL supply chain.
- Planet Saving Rules – underpinning our approach will be a cultural piece for NTL employees which provides them with the practical knowledge they need and can use to assist NTL with its energy and environment goals.

#### **Corporate Governance Statement**

NTL does not adopt a formal Code of Governance as the parent company, DfT OLR Holdings Limited has an internally generated Governance code which covers all the main areas of governance appropriate to an entity of NTL's size and purpose.

NTL is a subsidiary of DfT OLR Holdings Limited having joined the group in March 2020. NTL is governed by the NTL Board which is chaired by a Non-Executive Director and DOHL Director, and comprises 2 NTL Executive Directors, 1 other Non-Executive Director and DOHL Director and is attended by the remainder of the NTL Executive Teams.

The Board is accountable for the overall leadership of the organisation, setting the Company's strategy, values and standards, ensuring accountability and shaping the culture of the organisation. The Board has delegated

Northern Trains Limited  
Annual Report and Financial Statements – Directors' Report  
For the year ended 31 March 2021

authority to three board committees to discharge its duties effectively and these Committees escalate items to the Board where Board decision making, and direction is required.

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

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

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

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

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

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

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

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

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

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

Northern Trains Limited  
Annual Report and Financial Statements – Directors' Report  
For the year ended 31 March 2021

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

Clear and defined risk management arrangements are in place and considered at each Audit and Risk Committee with reporting to the NTL Board. Our risk management framework is in place to respond to events that impact the company, mobilising resources to put in recovery plans, most recently seen during the Covid 19 pandemic.

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

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

Finally, our internal communication channels provide a multi-directional link between our Directors, Executive Leadership Team, managers and the wider business with regular essential updates, opportunities for colleagues to share their views and celebrate achievements and events.

#### **Financial matters**

The results for the year are given in the Income statement on page 29. During the financial year there was no dividend paid to the immediate controlling entity. Under FRS 101 the Company has taken advantage of the several reduced disclosures. Further information is available within the principal accounting policies section.

#### **Indemnification of Directors and Officers**

The Company's ultimate parent maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against the Directors of the Company. The ultimate parent has indemnified each of the Company's Directors and other officers of the Company against certain liabilities that may be incurred as a result of their offices.

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

In the case of each Director in office at the date the Directors' Report is approved:

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

Northern Trains Limited  
Annual Report and Financial Statements – Directors' Report  
For the year ended 31 March 2021

**Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act.

The financial statements on pages 29 to 59 were approved by the Board of Directors on 20 July 2021 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'M.A. Williams'.

M Williams

**Director**

Date 21 July 2021

Registered Office: Albany House 8th Floor, 94-98 Petty France, London, SW1H 9EA

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

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

Company law requires the Directors prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law). Under company law 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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



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

## Report on the audit of the financial statements

### Opinion

In our opinion, Northern Trains Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2021; the Income statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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

- reviewing managements forecasts for the period to 31 March 2025 and the key assumptions underlying the forecasts;
- reviewing the service agreement to confirm the committed, contracted support provided by the DfT, the period for which the entity holds the service agreement and assessing the likelihood of the entity's service agreement being extended;
- confirming our understanding of the Railways Act 1993 and the obligation for the entity to operate the passenger rail service; and
- review of the funding deed available to the parent company.

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

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

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

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

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

## Reporting on other information

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

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

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

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

## Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## Auditors' responsibilities for the audit of the financial statements (continued)

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, breaches of health and safety regulations under the Health and Safety at Work etc. Act 1974 and non-compliance with tax regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance and management bias in determining significant accounting estimates. Audit procedures performed by the engagement team included:

- Review of minutes, claims register and claims provision in respect of actual and potential claims and enquiry of management regarding any unprovided claims;
- Obtaining supporting evidence for the significant assumptions and judgements made by management, particularly in respect of pensions accounting and measurement of lease liabilities;
- Identifying and testing journal entries on a sample basis, in particular those used to recognise revenue;
- Tests of details on a sample basis over operating expenses and tax computations; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

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

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

## Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

Independent auditors' report to the members of Northern Trains Limited  
For the period ended 31 March 2021

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

## **Companies Act 2006 exception reporting (continued)**

We have no exceptions to report arising from this responsibility.



Andy Ward (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
21 July 2021

Northern Trains Limited  
Income statement  
For the year ended 31 March 2021

	Note	2021 £000	2020* £000
<b>Revenue</b>			
Passenger revenue	2	75,415	17,602
Other revenue	2	<u>818,840</u>	<u>57,239</u>
<b>Total Revenue</b>		<b>894,255</b>	<b>74,841</b>
Other operating costs		<u>(884,472)</u>	<u>(73,657)</u>
<b>Operating profit</b>	3	<b>9,783</b>	<b>1,184</b>
Finance income	6	1,066	53
Finance expenses	6	<u>(1,906)</u>	<u>(488)</u>
<b>Profit before taxation</b>		<b>8,943</b>	<b>749</b>
Tax on profit	7	<u>(1,837)</u>	<u>(153)</u>
<b>Profit for the financial year</b>		<b><u>7,106</u></b>	<b><u>596</u></b>

\*In the comparative period, the Company traded for the period 1 March 2020 to 31 March 2020. All figures within the income statement comparative and related notes reflect only 1 month of trading.

The income statement has been prepared on the basis that all operations are continuing operations.

The accompanying notes form an integral part of this income statement.

Northern Trains Limited  
Statement of Comprehensive Income  
For the year ended 31 March 2021

	Note	2021 £000	2020* £000
<b>Profit for the year</b>		<b>7,106</b>	<b>596</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss:			
Actuarial gain on retirement benefit obligations	20	119,952	2,738
Deferred tax on defined benefit pension	7	<u>(22,791)</u>	<u>(520)</u>
<b>Total items that will not be reclassified to profit or loss</b>		<b>97,161</b>	<b>2,218</b>
<b>Total comprehensive profit for the year</b>		<b><u>104,267</u></b>	<b><u>2,814</u></b>

\*In the comparative period, the Company traded for the period 1 March 2020 to 31 March 2020. All figures within the income statement comparative and related notes reflect only 1 month of trading.

Northern Trains Limited  
Statement of Financial Position  
As at 31 March 2021

		2021	2020
	Note	£000	£000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8	369	342
Tangible assets	9	328,207	192,018
Retirement benefit asset (net)	20	134,967	39,433
		<u>463,543</u>	<u>231,793</u>
<b>Current assets</b>			
Inventories	11	6,119	5,580
Trade and other receivables: amounts due within one year	12	42,792	61,631
Cash at bank and in hand		63,873	28,930
		<u>112,784</u>	<u>96,141</u>
<b>Total assets</b>		<u>576,327</u>	<u>327,934</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	(224,670)	(202,697)
<b>Non-current liabilities</b>			
Trade and other payables	13	(187,086)	(83,207)
Provisions for liabilities	14	(25,776)	(7,502)
		<u>(212,862)</u>	<u>(90,709)</u>
<b>Total liabilities</b>		<u>(437,532)</u>	<u>(293,406)</u>
<b>Net assets</b>		<u>138,795</u>	<u>34,528</u>
<b>EQUITY</b>			
Ordinary share capital	16	-	-
Capital contribution	17	31,714	31,714
Retained earnings		107,081	2,814
<b>Total shareholders' funds</b>		<u>138,795</u>	<u>34,528</u>

The accompanying notes form an integral part of this statement of financial position. The financial statements on pages 29 to 59 were approved by the board of Directors on 14 July 2021 and were signed on its behalf by:

*M.A. Williams*

M Williams

Director

Date 21 July 2021

Northern Trains Limited  
Statement of Changes in Equity  
For the year ended 31 March 2021

	Called up share capital	Capital contribution	Retained earnings	Total shareholder's funds
	£000	£000	£000	£000
<b>As at 1 April 2019</b>	-	-	-	-
Profit for the year	-	-	596	596
Other comprehensive income for the year*	-	-	2,218	2,218
<b>Total comprehensive profit for the year</b>	-	-	<b>2,814</b>	<b>2,814</b>
Capital contribution**	-	39,153	-	39,153
Deferred tax on defined benefit pension transferred in (note 7b)**	-	(7,439)	-	(7,439)
<b>As at 31 March 2020</b>	-	<b>31,714</b>	<b>2,814</b>	<b>34,528</b>
Profit for the year	-	-	7,106	7,106
Other comprehensive income for the year	-	-	97,161	97,161
<b>Total comprehensive profit for the year</b>	-	-	<b>104,267</b>	<b>104,267</b>
<b>As at 31 March 2021</b>	-	<b>31,714</b>	<b>107,081</b>	<b>138,795</b>

\*In the comparative period, the Company traded for the period 1 March 2020 to 31 March 2020. All figures within the income statement comparative and related notes reflect only 1 month of trading.

\*\* In the comparative period, a pension surplus (£39.2m) and associated deferred tax liability (£7.4m) were transferred to the Company from the DfT, a related party and has been treated as a capital contribution within Equity. This is non-distributable for the purpose of future dividends that might be paid.



# Northern Trains Limited

## Notes to the Financial Statements

For the year ended 31 March 2021

### 1 Accounting policies

The Company is a private limited company limited by shares and registered in England. The address of the Company's registered office is shown on page 3 and a description of the Company's principal activities are set out on page 4.

The principal accounting policies are set out below.

#### *a) Basis of Preparation*

The financial statements have been prepared on a going concern basis and in accordance with 'Disclosure Framework' (FRS 101) and Companies Act 2006 (the Act). Amounts in these financial statements are rounded to the nearest thousand pound sterling (£000) unless otherwise indicated.

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

NTL is 100% owned by Department for Transport (DfT) OLR Holdings Limited whose ultimate parent undertaking and controlling party is the Secretary of State for Transport and is underwritten by the financial security of the UK government.

The Services Agreement with the DfT runs until 1 March 2022 and includes a service agreement subsidy from the DfT which reflects the revenue and costs in the business. The service agreement subsidy is the balancing amount to bring the profit in line with the agreed pre-defined profit margin between both parties. On 1 March 2021, the Department for Transport (DfT) issued a Prior Information Notice advising that they are seeking to obtain a Direct Award for up to 5 years with a fixed period of 2 years running from the end of the current Services Agreement to 1 March 2024. If, for any reason, the Services Agreement period was not extended, it is expected that NTL would be paid the value of its assets by a new operator and these funds would be sufficient to settle all liabilities as they fall due. The Board of NTL believes it is highly likely that the Services Agreement will be extended and the most likely date that the Services Agreement will be extended to is 1 March 2024 as it is not expected that the franchise will be removed from Government ownership at the end of the current Services Agreement.

The Company has a funding agreement with DfT OLR Holdings Limited with a facility of £220m which runs until 1 March 2022 and is expected to be extended in line with the extension of the Services Agreement. £nil was drawn down as at 31 March 2021 (2020: £9.7m) as our trading profits were sufficient to cover our cash requirements.

Our business will continue and is central to the recovery of the country economically and socially. Rail workers are defined as key workers (published by the Government on 19 March 2020) and the Government announced on 23 March 2020, that the rail industry was vital to keeping the country moving in terms of both passengers and freight, "The continued operation of both passenger and freight transport is critically important to our resilience as a country". These statements from the Government underline the importance of the rail industry during the Covid19 pandemic and that it is central to the Government's strategy for recovery.

Detailed cash forecasts have been prepared and shared with the DfT which demonstrate that the Company has sufficient liquidity to meet its liabilities as they fall due through continued support from the DfT.

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

Northern Trains Limited  
Notes to the Financial Statements

For the year ended 31 March 2021

**1 Accounting policies (continued)**

*a) Basis of preparation (continued)*

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1, Presentation of financial statements
- IAS 7, Statement of Cash Flows
- The requirements of paragraph 17 of IAS 24, Related Party Disclosures
- Paragraph 73(e) of IAS 16, Property, Plant and equipment
- Paragraph 118(e) of IAS 38, Intangible Assets
- Paragraphs 91 to 99 of IFRS 13, Fair Value Measurement
- Paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS15 Revenue from Contracts with Customers

*b) Revenue*

Passenger income represents amounts agreed as attributed to Northern Trains Limited by the income allocation systems of the Rail Settlement Plan Limited ("RSP"), mainly in respect of passenger receipts. Income is attributed based principally on models of certain aspects of passengers' travel patterns and, to a lesser extent, from allocations agreed for specific revenue flows. The attributed share of season ticket income can involve some estimation – for example revenue is deferred within creditors and released to the income statement over the year of the relevant season ticket.

Travel on a train operating company's services can be sold by other train operating companies as well as other travel retailers. Furthermore, certain tickets for train travel can be sold which provide the holder with a choice of train operators to travel with. In light of those factors, NTL's passenger income includes amounts receivable from individuals or groups of individuals to travel on UK rail services that is attributed to train operating companies by the Railway Settlement Plan Limited. RSP administers the income allocation system within the UK rail industry and allocates revenue to operators principally on agreed models of route usage.

Procedures exist to allow operators to challenge the appropriateness of revenue allocation. Revenue is only recognised when it is highly probable that a significant reversal will not occur.

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

Other revenue is generated in the course of the Company's ordinary activities and is derived from ticket commissions, car park income, station trading income, depot and station access payments and the provision of goods or services to other train operating companies and excludes VAT. Revenue is recognised when a customer obtains control of goods or services and has the ability to direct the use and obtain the benefits from the goods or services. Revenue from services is recognised on the basis of agreed rates and is recognised over time over the period the services are rendered. Commission income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

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

### *b) Revenue (continued)*

Deferred revenue is generated when passengers purchase tickets for travel in future financial periods. This is then released in the same financial period as the travel. The value of the deferred revenue is reported through the income allocation system detail.

Service agreement subsidy received from the Department for Transport (DfT) is considered to be a contract with a customer and is recognised on an accrual basis for the related revenue for which the receipt is intended to compensate.

### *c) Performance incentive payments*

Performance incentive payments received from or made to Network Rail by Northern Trains Limited in respect of rail operational performance are recognised in the same period that the performance relates to and are classified as operating costs.

Accrued income is generated from performance payments made to NTL by Network Rail which is then settled in a future period. The income is generated when Network Rail take possession of the track to do maintenance work or due to on the day disruption caused by an entity other than NTL.

### *d) Taxation*

Tax, current and deferred is calculated using tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Corporation tax is provided on taxable profits at the current rate applicable. Tax charges and credits are accounted for through the same primary statement as the related pre-tax item.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities using the tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

### *e) Deferred tax*

Deferred tax is recognised in respect of all material temporary differences that have originated, but not reversed, by the Statement of Financial Position date. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse.

## 1 Accounting policies (continued)

### f) *Tangible assets*

Tangible assets are shown at their historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on a straight-line basis to write off the cost less estimated residual value of fixed assets over their expected useful economic lives as follows:

Plant and equipment	3 - 10 years or lease term
---------------------	----------------------------

Assets in the course of construction predominantly relates to the depot under construction at Newton Heath and are not depreciated until they are available for use and on completion are transferred to the appropriate asset class.

The need for any impairment write-down is assessed by comparing the carrying value of the asset against the higher of net realisable value and value in use. Where an impairment event is identified, detailed discounted cashflow forecasts are prepared to assess the value in use and whether an impairment exists.

### g) *Intangible assets*

Intangible assets are shown at their original cost net of amortisation and any provision for impairment. Cost includes the original purchase price of the assets and costs attributable to bringing the asset to its working condition for its intended use.

Amortisation is charged on a straight-line basis over the life of the Services Agreement and is recorded in operating costs in the Income Statement. On 1 March 2021, the Department for Transport (DfT) issued a Prior Information Notice advising that they are seeking to obtain a Direct Award for up to 5 years with a fixed period of 2 years running from the end of the current Services Agreement to 1 March 2024. The intangible assets were amortised over the extended service period from 1 March 2021, when notice was given.

The need for any impairment write-down is assessed by comparing the carrying value of the asset against the higher of fair value less costs to sell and value in use. Where an impairment event is identified, detailed discounted cashflow forecasts are prepared to assess the value in use and whether an impairment exists.

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

Mobilisation costs have been capitalised and amortised over the expected life of the Services Agreement. These comprise rebranding, marketing, recruitment, media, uniform, system and professional services costs.

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

## 1 Accounting policies (continued)

### *h) Right of use assets and lease liabilities*

Right of use assets comprise rolling stock, offices and other property leases plus depot equipment and motor vehicles. At the lease commencement the Company recognises both a right of use asset and a lease liability.

Right of use assets are initially measured at a cost which includes:

- the initial measurement of the lease liability using the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Company will use the incremental borrowing rate;
- the lease payments made before or after commencement, less the lease incentives received;
- an estimate of the costs incurred upon disassembling and eliminating the underlying asset, including restoring the underlying asset to the condition required by the terms of the lease.

After the commencement date the Company measures its right of use assets using a cost model. Right of use assets are depreciated over the shorter of the lease term and the practical end of the current service period and are presented as part of tangible assets in note 9.

Corresponding lease liabilities are presented and accounted for as current and non-current liabilities in note 19. The lease liability is initially measured at the present value of future lease payments, discounted using the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Company will use the incremental borrowing rate. After the commencement date the Company measures its lease liabilities by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect new measurements or changes in the lease. The discount rate used is reassessed at the point of remeasurement.

The lease term generally comprises non-cancellable period of lease contracts plus periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option.

Variable and fixed track access payments are deemed outside the scope of IFRS 16. Access to the track is not exclusive and NTL cannot restrict access to other operators or freight, hence do not obtain substantially all the economic benefits of use, therefore they do not meet the scope of IFRS 16 and are recognised through the Income Statement as incurred in operating costs.

Station and depot access charges are deemed outside the scope of IFRS 16 as it is deemed that Network Rail controls these assets and significant restrictions are in place on the operator, therefore they do not meet the scope of IFRS 16 and are recognised through the Income Statement as incurred in operating costs.

The company has assessed the rolling stock arrangements and determined the service and maintenance elements represent a non-lease component. This is on the basis that NTL can benefit from use of the asset on its own and the asset is not highly dependent on, nor highly interrelated with service and maintenance agreements. The consideration is allocated between the lease and non-lease components based on relative stand-alone selling price. The service and maintenance elements are recognised as a service arrangement and the expense is recognised as operating costs in the Income Statement.

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2021  
**1 Accounting policies (continued)**

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

The Company has elected to apply the exemption included within IFRS 16 for short term leases (lease terms of less than 12 months) and low value leases (asset values less than £5,000). The lease payments associated with these are recognised as an expense on a straight-line basis over the lease term.

The lease liabilities and right of use assets are impacted by the extension of the Services Agreement – see the critical judgment note on page 41 for further details.

*i) Inventories*

Inventories are valued at the lower of cost and net realisable value on a weighted average cost basis. Where necessary, provision is made for obsolete, slow moving and defective inventory.

*j) Grants*

Capital grants are credited to deferred grant income and released as a credit to operating costs in the income statement over the estimated useful economic lives of the related assets.

*k) Retirement benefit obligations*

NTL contributes to a defined benefit pension scheme on behalf of the majority of employees. Full details are provided in note 20.

NTL participates in the Railway Pension Scheme, a defined benefit scheme which covers the whole of the UK Rail industry. This is partitioned into sections and NTL is responsible for the funding of the sections during the period of the Services Agreement. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. NTL only recognises the portion attributable to the period of the Services Agreement as an asset or liability on the balance sheet.

The trustees complete a full actuarial valuation triennially, separately for each section of the RPS, but the obligation is updated annually by independent actuaries using the projected unit credit method for financial reporting purposes.

The current service cost and gains and losses on settlements and curtailments are recognised in staff pension costs within operating costs in the income statement.

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

The charges in respect of defined contribution schemes are recognised when they are due. The Company has no legal or constructive obligation to pay further contributions into a defined contribution scheme if the fund has insufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2021

**1 Accounting policies (continued)**

*l) Accounting for participation in Railways pension scheme*

As disclosed in note 20, NTL applies a "current service period adjustment" to the amounts recorded in the Statement of Financial Position for the RPS. This represents the remaining element of the service operator's 60% share of the IAS 19 deficit or surplus after determining the amount of any deficits NTL is required to fund (or surplus it is entitled to recover) over the remaining service period. The asset recognised at the balance sheet date is the amount that will be recovered to the end of the period of the Services Agreement which is expected to be 1 March 2024, at which point there will be no asset or liability remaining on the balance sheet.

This adjustment can give rise to a net pension asset, representing the expected excess of the income statement expense under IAS 19 for service cost and net interest over the contributions payable over the remainder of the Services Agreement period. The economic benefit of the asset is expected to be realised through the lower cash contributions over the remaining period of the Services Agreement, and therefore upon the expiry of the Services Agreement, there will be no pension asset (or liability) remaining. This judgement is consistent with the industry wide accounting treatment for the RPS that was agreed on adoption of IFRS in 2005.

*m) Provisions*

Provisions for current obligations and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation at the balance sheet date; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

*n) Investments*

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

*o) Financial instruments*

Financial instruments held by the Company are trade and other receivables, trade and other payables and cash.

Trade receivables are recognised initially at the amount of consideration that is unconditional. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

## 1 Accounting policies (continued)

### *p) Critical estimates and judgements*

Preparation of the financial statements, in accordance with Financial Reporting Standards ("FRS") 101, requires Directors to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual outcomes could differ from those estimated. The Directors believe that the accounting policies and estimation techniques discussed below represent those that require the greatest exercise of judgement. The Directors have used their best judgement in determining the estimates and assumptions used in these areas but a different set of judgements could result in material changes to the Company's reported financial performance and/or financial position.

The critical estimates and judgements summarised below cover those regarded by the Directors as critical to the Company's reporting in general.

#### *I. Retirement benefit obligation – estimate*

The determination of NTL's pension benefit obligation and expense for defined benefit pension schemes is dependent on the selection by the Directors of certain assumptions used by actuaries in calculating such amounts. Those assumptions include the discount rate, the annual rate of increase in future salary levels and mortality rates. The Directors' assumptions are based on actual historical experience and external data. While we believe that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the pension obligation and future expense.

The pension assumptions may vary due to actual changes in market conditions following the Statement of Financial Position date but IAS 19 requires the assumptions to be set based on the market conditions prevailing at the Statement of Financial Position date. The pension assumptions are also affected by judgements the Directors are required to make on matters that cannot be directly observed from market prices such as life expectancies, future pay increases, harder to value assets and the criteria for bonds to be included in the population from which the discount rate is determined. Note 20 provides information on the sensitivity of pension benefit obligations to changes in assumptions.

#### *II. Retirement benefit obligation – judgement*

Under a service agreement model there are alternative approaches available for accounting for defined benefit pension schemes. Management have elected for the methodology to remain consistent with the prior year and use a franchise adjustment methodology for accounting for pensions. Under this methodology, the liability (or asset) recorded in the balance sheet is the amount of deficit (or surplus) that the Company is expected to fund (or recover) over the remaining life of the franchise.



**1 Accounting policies (continued)**

*p) Critical estimates and judgements (continued)*

*III. NTL service period assumption - judgement*

An assumption of a 2 year Services Agreement was used in the comparative period financial statements. This was based on the current Services Agreement, which runs to 1 March 2022. On 1 March 2021, the Department for Transport (DfT) issued a Prior Information Notice (PIN) advising that they are seeking to obtain a Direct Award for up to 5 years with a fixed period of 2 years running from the end of the current Services Agreement to 1 March 2024. From the date of issue of the PIN, an assumption of a 2 year extension to 1 March 2024 has been used as a revised best estimate of the service period. The Board of NTL believes it is highly likely that the Services Agreement will be extended and the most likely date that the Services Agreement will be extended to is 1 March 2024 as it is not expected that the franchise will be removed from Government ownership at the end of the current Services Agreement.

This affects these financial statements in respect of intangible amortisation, pension accounting, reporting for leases under IFRS 16 and going concern as follows :

- Intangible assets are amortised to the end of the services period, therefore the impact of the extended services period was to extend the amortisation period of the intangible assets from 2 years to 4 years, with effect from 1 March 2021. This has had the impact of reducing the amortisation expense by £12,000 in the year ended 31 March 2021.
- IFRS 16 Right of Use asset and lease liability – right of use assets are depreciated over the shorter of the lease term and the expected end of the service period. A lease liability is recognised for the minimum lease payments over the duration of the shorter of the lease term and expected end of the service period. The impact of the extended services period was to increase the expected period that NTL would have the leases from 1 March 2022 to 1 March 2024. The change in judgement leads to a remeasurement adjustment for both the right of use asset (see note 9) and lease liability (see note 19), rather than as a lease modification due to the fact that the extension option was conveyed by the original contract terms and is now deemed to be reasonably certain to be taken out to 1 March 2024. Under this approach the incremental borrowing rate is reassessed at the point of the remeasurement, which was 1 March 2021.
- Retirement benefit accounting – NTL recognises a pension surplus as, for the period of the services agreement, NTL are projected to pay a lower level of contributions than is needed to fund the section of the scheme. The extension of the service period to March 2024 means that NTL benefits from the lower level of service contributions compared to future service costs for a longer period, which increases the pension asset. This is recognised as Other Comprehensive Income as it is considered a change in assumption (see note 19).
- Going concern - The Services Agreement with the DfT includes a subsidy which ensures NTL earns a margin of 1% at Profit before tax on total revenue. The issuance of the PIN with an expected service agreement extension to 2024 provides the company with certainty and stability over its operations.

Northern Trains Limited  
Notes to the Financial Statements  
For the year ended 31 March 2021

## 2 Revenue

All revenue originates in the United Kingdom.

The Directors consider that the whole of the activities of the Company constitute a single class of business consisting of passenger and other revenue as disclosed in the income statement.

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

	2021	2020
	£000	£000
Passenger revenue	75,563	17,643
Delay Repay	(148)	(41)
Passenger revenue	<u>75,415</u>	<u>17,602</u>
Service agreement subsidy	782,004	53,778
Other revenue	<u>36,836</u>	<u>3,461</u>
<b>Total revenue</b>	<b><u>894,255</u></b>	<b><u>74,841</u></b>

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

## 3 Operating profit

	2021	2020
	£000	£000
Operating profit is stated after charging:		
Staff Costs (note 5)	368,723	31,594
Depreciation (note 9)	104,604	8,090
Inventories recognised as expenses	32,710	2,825
Other external charges	100,527	7,354
Fixed depot and station access charges	30,087	2,460
Rolling stock maintenance costs	48,248	4,759
Lease items excluded from IFRS 16 (note 19)	835	106
Other fixed access charges	108,947	9,726
Variable access charges	23,614	2,176
British Transport Police charges	13,440	1,191
Rolling stock maintenance costs	23,540	1,948
Spares supply agreement	15,138	-
Performance regime costs	13,871	1,290
Auditors' remuneration – audit fees	188	125
Auditors' remuneration – non audit services		
- other compliance reporting	-	13
	<b><u>884,472</u></b>	<b><u>73,657</u></b>

Northern Trains Limited  
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**4 Directors' remuneration**

	<b>2021</b>	2020
	<b>£000</b>	£000
Emoluments in respect of qualifying services to the Company	<u><b>671</b></u>	<u>31</u>

The emoluments of the highest paid Director is £300,000 (2020: £300,000 annual equivalent). The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £nil (2020: £nil).

None of the non-executive Directors received any remuneration from the Company. Their remuneration is paid by and reported in the Annual Report of NTL's parent company DfT OLR Holdings Limited.

**5 Staff costs**

	<b>2021</b>	2020
	<b>£000</b>	£000
Wages and salaries	<b>291,437</b>	24,908
Social security costs	<b>30,144</b>	2,596
Other pension costs	<u><b>47,142</b></u>	<u>4,090</u>
	<u><b>368,723</b></u>	<u>31,594</u>

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

	<b>2021</b>	2020
	<b>Number</b>	Number
Managerial and administrative	<b>519</b>	497
Operational	<u><b>6,076</b></u>	<u>5,927</u>
	<u><b>6,595</b></u>	<u><b>6,424</b></u>

Northern Trains Limited  
Notes to the Financial Statements  
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**6 Finance income and expenses**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Finance income</b>		
Pension interest income	<u>1,066</u>	<u>53</u>
<b>Total finance income</b>	<u>1,066</u>	<u>53</u>
<b>Finance expenses</b>		
Interest payable to group undertakings	(261)	(247)
Interest expenses relating to leases	(1,636)	(241)
Other interest expense	<u>(9)</u>	<u>-</u>
<b>Total finance expenses</b>	<u>(1,906)</u>	<u>(488)</u>

**7 Tax on profit**

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Current taxation:		
Current tax on profits for the year	5,910	610
Adjustments in respect of prior year	<u>444</u>	<u>-</u>
	<u>6,354</u>	<u>610</u>
Deferred taxation;		
Current year	(4,075)	(457)
Adjustments in respect of prior year	<u>(442)</u>	<u>-</u>
Total deferred tax (note 15)	<u>(4,517)</u>	<u>(457)</u>
<b>Total tax charge reported in the income statement</b>	<u>1,837</u>	<u>153</u>

## 7 Tax on profit *continued*

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

	2021	2020
	£000	£000
Equity items:		
Deferred tax current year charge	-	7,439
Other comprehensive income items:		
Deferred tax current year charge	<u>22,791</u>	<u>520</u>
Tax reported outside of the income statement	<u>22,791</u>	<u>7,959</u>

The Deferred tax current year charge recognised through Other Comprehensive Income (£22.8m) relates to the movement on the defined benefit pension asset recognised in Other Comprehensive Income.

### c) Factors affecting total tax charge for the current period

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2016 Finance Act introduced a UK corporation tax rate of 17% from 1 April 2020. The 2020 UK Budget which took place on 11 March 2020 confirmed the rate of corporation tax will remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. The rate reduction reversal was substantively enacted on 17 March 2020 by way of a special resolution. Accordingly, deferred tax has been provided at 19%, being the rate at which temporary differences are expected to reverse.

The 2021 UK Budget 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. This change was not substantively enacted at the balance sheet date and hence it has not been reflected in the measurement of deferred tax balances at the period end. If the company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax debit of £8.1m.

The tax assessed for the year is higher than the standard effective rate of corporation tax in the UK of 19% (2020: 19%). The current tax charge is made up as follows:

	2021	2020
	£000	£000
Profit before taxation	<u>8,943</u>	<u>749</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	<u>1,699</u>	<u>142</u>
Fixed asset differences	133	11
Expenses not deductible for tax purposes	4	-
Adjustments to tax charge in respect of prior periods	1	-
Total tax charge for the year reported in the income statement	<u>1,837</u>	<u>153</u>

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**8 Intangible assets**

	<b>Software costs</b>	<b>Mobilisation costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At beginning of year	271	71	342
Additions	-	241	241
<b>At end of year</b>	<b>271</b>	<b>312</b>	<b>583</b>
<b>Accumulated amortisation</b>			
At beginning of year	-	-	-
Amortisation charged to the income statement	139	75	214
<b>At end of year</b>	<b>139</b>	<b>75</b>	<b>214</b>
<b>Net book value</b>			
At beginning of year	271	71	342
<b>At end of year</b>	<b>132</b>	<b>237</b>	<b>369</b>

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**9 Tangible assets**

	<b>Right of Use £000</b>	<b>Assets under construction £000</b>	<b>Plant and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>				
At beginning of year	182,617	3,160	14,331	200,108
Additions	16,143	33,656	-	49,799
Remeasurement	192,739	-	-	192,739
Disposals	(2,047)	-	-	(2,047)
Transfers	-	(19,948)	19,948	-
<b>At end of year</b>	<b>389,452</b>	<b>16,868</b>	<b>34,279</b>	<b>440,599</b>
<b>Accumulated depreciation</b>				
At beginning of year	7,825	-	265	8,090
Depreciation charged to the income statement	99,135	-	5,469	104,604
Disposals	(302)	-	-	(302)
<b>At end of year</b>	<b>106,658</b>	<b>-</b>	<b>5,734</b>	<b>112,392</b>
<b>Net book value</b>				
At beginning of year	174,792	3,160	14,066	192,018
<b>At end of year</b>	<b>282,794</b>	<b>16,868</b>	<b>28,545</b>	<b>328,207</b>

The remeasurement in year relates to the extension on the service period to 1 March 2024 from the original end date of 1 March 2022. The change of accounting judgement as detailed in Note 1, has led to an increase in the asset value and recognised liability at the balance sheet date.

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**10 Investments**

The Company held the following unlisted investments at 31 March 2021:

<b>Name of company</b>	<b>Country of registration</b>	<b>No. of shares held</b>	<b>Class of share</b>	<b>Proportion held</b>
ATOC Limited	UK	1	Ordinary (4p)	5%
Rail Settlement Plan Limited	UK	1	Ordinary (4p)	5%
Rail Staff Travel Limited	UK	1	Ordinary (4p)	5%
NRES Limited	UK	1	Ordinary (£1)	5%

The principal activity of the above companies is to provide a range of services to all UK passenger rail operators, each of which has an equal share in the companies. The investments are held at fair value and any changes in the fair value are recognised in the Income Statement.

The Company holds an investment in associate of 25.1% of the ordinary share capital in West Yorkshire Ticketing Company Limited which is incorporated in the UK and is owned by a number of operators. The Company coordinates and manages the ticketing scheme by selling and promoting transport tickets on behalf of the West Yorkshire Combined Authority. This investment is held at cost and no impairment has been identified (2020: £nil).

**11 Inventories**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<u>6,119</u>	<u>5,580</u>

There is no material difference between the replacement value of inventories and their cost.

The cost of stock recognised as an expense and included in operating costs during the period amounted to £32,709,922 (2020: £2,825,000).



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**12 Trade and other receivables**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<i>Amounts falling due within one year:</i>		
Trade receivables		
Rail Settlement Plan	<b>3,588</b>	8,011
Other trade receivables	<b>8,205</b>	1,502
	<b>11,793</b>	9,513
Amounts owed by group undertakings	<b>7,598</b>	185
Value Added Tax receivable	<b>5,505</b>	5,018
Prepayments	<b>14,769</b>	16,764
Corporation tax receivable	<b>198</b>	-
Accrued income	<b>2,519</b>	17,329
Other receivables	<b>410</b>	12,822
	<b>42,792</b>	61,631

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

Other receivables in the comparative period included £11.1m receivable from Arriva Rail North Limited in respect of the net asset settlement on transfer of the assets and liabilities to Northern Trains Limited.

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

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**13 Trade and other payables**

	2021	2020
	£000	£000
<i>Amounts falling due within one year:</i>		
Trade payables		
Rail Settlement Plan	2,304	5,697
Other trade payables	36,867	26,598
	<u>39,171</u>	<u>32,295</u>
Amounts owed to group undertakings	695	10,358
Deferred season ticket revenue	682	6,074
Other taxation and social security	7,723	7,539
Other payables	367	2,692
Accruals	61,160	48,010
Deferred revenue	18,518	3,977
Corporation tax payable	-	610
Lease liability (IFRS 16)	96,354	91,142
	<u>224,670</u>	<u>202,697</u>
<i>Amounts falling due after more than one year:</i>		
Lease Liability (IFRS 16)	187,086	83,207
	<u>187,086</u>	<u>83,207</u>

Amounts owed to group undertakings within one year and are repayable on demand. There is a loan facility in place with DfT OLR Holdings Limited. The balance included within amounts owed to group undertakings in relation to this loan is £nil (2020: £9,747,000). This loan attracts interest at 1 year LIBOR +4%.

The prior year deferred revenue balance of £4.0m and the prior year deferred season ticket revenue balance of £6.1m was all recognised as revenue in the current year.

**14 Provisions for liabilities**

	2021	2020
	£000	£000
Deferred tax (note 15)	<u>25,776</u>	<u>7,502</u>

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## 15 Deferred Tax

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

Deferred tax liabilities:

	2021	2020
	£000	£000
Fixed assets	326	10
Short term provision	(194)	-
Defined benefit pension	25,644	7,492
Deferred tax provision	<u>25,776</u>	<u>7,502</u>

The movement in deferred tax during the year was:

	2021	2020
	£000	£000
At beginning of year	7,502	-
Charge to income statement (note 7a)	(4,517)	(457)
Charge to equity (note 7b)	-	7,439
Charge to OCI (note 7b)	22,791	520
Deferred tax provision	<u>25,776</u>	<u>7,502</u>

## 16 Called up share capital

	2021	2020
	£	£
Issued share capital unpaid		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

## 17 Reserves

A reconciliation of the movements in reserves is shown in the Statement of Changes in Equity on page 32.

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

## 18 Capital commitments

	2021	2020
	£000	£000
Contracted	<u>15,112</u>	<u>13,023</u>

Capital commitments at the balance sheet date relate to the ongoing transformation programme, specifically station improvements, depot improvements, rolling stock improvements, ticket vending machines and facility upgrade projects.

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**19 Lease liabilities**

	<b>Rolling Stock</b>	<b>Land &amp; Buildings</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Lease liabilities</b>				
Balance at 1 April 2020	173,517	557	275	174,349
Additions	16,143	-	-	16,143
Interest	1,630	4	2	1,636
Remeasurement	192,614	256	(131)	192,739
Repayment of lease liabilities	(100,841)	(440)	(146)	(101,427)
<b>Balance at 31 March 2021</b>	<b>283,063</b>	<b>377</b>	<b>-</b>	<b>283,440</b>
Current lease liabilities	96,226	128	-	96,354
Non-current lease liabilities	186,837	249	-	187,086
Total lease liabilities	<b>283,063</b>	<b>377</b>	<b>-</b>	<b>283,440</b>
<b>Right of use assets</b>				
Balance at 1 April 2020	173,848	669	275	174,792
Additions	16,143	-	-	16,143
Disposals	(1,742)	(3)	-	(1,745)
Remeasurement	192,614	256	(131)	192,739
Depreciation for the year	(98,446)	(545)	(144)	(99,135)
<b>Balance at 31 March 2021</b>	<b>282,417</b>	<b>377</b>	<b>-</b>	<b>282,794</b>
<b>Lease amounts recognised in operating costs:</b>				
Leases of low value assets	<b>699</b>	<b>-</b>	<b>136</b>	<b>835</b>

The remeasurement in year relates to the extension on the service period to 1 March 2024 from the original end date of 1 March 2022. The change of accounting judgement as detailed in Note 1, has led to an increase in the asset value and recognised liability at the balance sheet date.

## 20 Retirement benefit obligations

### Information about the Scheme and the Company's accounting policies

NTL operates a final salary pension scheme, which operates on a shared-cost basis and is open to new entrants. The Section is part of the Railways Pension Scheme (RPS), but its assets and liabilities are identified separately from the remainder of the Scheme.

The figures reported below represent only NTL's share of the cost, except that the tables reconciling the Section's Defined Benefit Obligations (DBO) and assets from the start to the end of the year are presented before the deduction of the members' share of the defined benefit cost, or the surplus or deficit. This is for simplicity of presentation and for consistency with the DBO and assets quoted in the table showing the pension scheme liability or asset at the end of the year.

Employer contributions for the period ended 31 March 2021 were around 13.7% and 12.2% of Section Pay for Category 60 Members and Category 62 Members respectively.

The discounted mean term of the Section's DBO was 22 years as at 31 March 2021.

The Company is exposed to a number of risks relating to the Section including assumptions not being borne out in practice. The most significant risks are as follows:

- **Asset volatility:** There is a risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the Section's DBO. The Section holds a proportion of growth assets, which are expected to outperform corporate and government bond yields in the long term, but gives exposure to volatility and risk in the short term. This should be noted in the context of the impact of COVID-19 at 31 March 2021.
- **Change in bond yields:** A decrease in corporate bond yields will increase the value placed on the Section's DBO, although this will be partially offset by an increase in the value of the Section's corporate bond holdings.
- **Inflation risk:** The majority of the Section's DBO is linked to inflation, where higher inflation will lead to a higher value being placed on the DBO. Some of the Section's assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit.
- **Life expectancy:** An increase in life expectancy will lead to an increased value being placed on the Section's DBO. Future mortality rates cannot be predicted with certainty.

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**20 Retirement benefit obligations (continued)**

Membership data:

	<b>31 March 2021</b>	31 March 2020
	<b>Number</b>	<b>Number</b>
Active members	<b>6,516</b>	6,188
Deferred members	<b>3,229</b>	3,140
Pensioner members (including dependants)	<b>3,612</b>	3,308

Asset Data:

	<b>31 March 2021</b>	31 March 2020
	<b>£000</b>	<b>£000</b>
Growth assets	<b>1,220,667</b>	1,001,232
Government bonds	-	-
Non-Government bonds	-	-
Property	<b>5,200</b>	-
Other assets	<b>9,374</b>	16,362
<b>Total asset value</b>	<b><u>1,235,241</u></b>	<u>1,017,594</u>

Summary of assumptions:

	<b>31 March 2021</b>	31 March 2020
	<b>% pa</b>	<b>% pa</b>
Discount rate	<b>2.05</b>	2.20
Future price inflation (RPI measure)	<b>3.20</b>	2.50
Future price inflation (CPI measure)	<b>2.90</b>	1.80
Pension increases (CPI measure)	<b>2.90</b>	1.80
Pensionable salary increases	<b>3.20</b>	2.50

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**20 Retirement benefit obligations (continued)**

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

	<b>31 March 2021</b>	31 March 2020
Male currently aged 65	<b>20.4</b>	20.9
Male currently aged 45	<b>21.8</b>	22.3
Female currently aged 65	<b>22.7</b>	22.8
Female currently aged 45	<b>24.2</b>	24.4

Defined benefit asset at end of year:

	<b>31 March 2021</b>	31 March 2020
	<b>£000</b>	£000
Defined benefit obligation at end of year		
Active members	<b>(1,272,722)</b>	(1,057,910)
Deferred members	<b>(242,265)</b>	(173,435)
Pensioner members (incl. dependants)	<b>(431,771)</b>	(269,604)
<b>Total defined benefit obligation</b>	<b>(1,946,758)</b>	(1,500,949)
Fair value of assets at end of year	<b>1,235,241</b>	1,017,594
Adjustment for the members' share of deficit	<b>284,607</b>	193,342
Deficit expected to be recovered after end of current service period	<b>561,877</b>	329,446
<b>Net defined benefit asset at end of the year</b>	<b>134,967</b>	39,433

Reconciliation of net defined benefit asset:

	<b>2021</b>
	<b>£000</b>
Opening net defined benefit asset	39,433
Employer's share of P&L expense	(46,076)
Employer's contributions	21,657
Total gain recognised in OCI	119,953
Closing net defined benefit asset	<b>134,967</b>

The corresponding entry of the pension surplus at the transfer date has been posted to equity as a capital contribution due to being transferred from a related party.



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**20 Retirement benefit obligations (continued)**  
Profit & Loss (P&L):

	2021
	£000
Employer's share of service costs	(43,844)
Employer's share of administration cost	(3,130)
Past service cost adjustment	(168)
<b>Total employer's share of service cost</b>	<b>(47,142)</b>
Employer's share of net interest on net defined benefit asset	(6,182)
Interest on current service period adjustment	7,248
<b>Employer's share of P&amp;L expense</b>	<b>(46,076)</b>

Other comprehensive income (OCI):

	2021
	£000
Gain due to liability experience	12,168
Loss due to liability assumption changes	(233,435)
Return on plan assets greater than discount rate	116,037
Gain on change in current service period adjustment*	225,183
<b>Total gain recognised in the OCI</b>	<b>119,953</b>

\*The gain on change in current service period adjustment is explained in note 1.

Reconciliation of defined benefit obligation (DBO):

	2021
	£000
Opening defined benefit obligation	(1,500,949)
Service cost	(72,787)
Interest cost on DBO	(32,705)
Past service cost – GMP equalisation (Transfers out)	(280)
Gain on DBO – experience	20,289
Gain on DBO – demographic assumptions	29,602
Loss on DBO – financial assumptions	(418,662)
Benefit payments	28,734
<b>At end of year</b>	<b>(1,946,758)</b>

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**20 Retirement benefit obligations (continued)**

Reconciliation of value of assets:

	<b>2021</b>
	<b>£000</b>
Opening value of section assets	1,017,594
Interest income on assets	22,402
Return on plan assets less than discount rate	193,397
Employer's contributions	21,657
Employee contributions	14,142
Actual benefit payments	(28,734)
Administration costs	(5,217)
<b>Closing value of section assets</b>	<b>1,235,241</b>

DBO sensitivity to significant actuarial assumptions:

	<b>Sensitivity</b>	<b>Approximate change in DBO</b>
		<b>£000</b>
Discount rate	-0.25% p.a.	+115,542
	+0.25% p.a.	-106,686
Price inflation (CPI measure)*	-0.25% p.a.	-103,474
	+0.25% p.a.	+111,400
Salary increases	-0.25% p.a.	-38,202
	+0.25% p.a.	+39,599
Life expectancy	-1 year	-85,565
	+1 year	+85,565

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

The sensitivity figures are as at 31 March 2021. Note that these scenarios do not represent upper or lower bounds on what could happen. In addition, the sensitivity figures are based on indicative calculations and therefore may not be sufficiently accurate for use in any actuarial calculations whose results are intended for disclosure in the Company's financial statements.

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**21 Related party disclosures**

The Company is a 100% owned subsidiary of DfT OLR Holdings Limited. As at the 31 March 2021, the Company has a receivable of £7.5m (2020: £0.2m) and a payable of £nil (2020: £10.4m). The payable in the comparative period related to loans from DfT OLR Holdings Limited. This loan formed part of the £220m loan facility available to Northern Trains Limited.

Northern Trains Limited operates a passenger rail service franchise under licence under a Services Agreement with the Secretary of State for Transport. Under the Services Agreement Northern Trains Limited is to receive a service agreement subsidy from the Department for Transport (DfT), which was £782.0m in the year (2020: £53.8m). The comparative period included only 31 days of trading.

During the year the net cost of goods and services purchased from and sold to Network Rail was £161.5m (2020: £14.7m). Capital project funding of £11.3m was received during the year (2020: £nil). As at the 31 March 2021, balances with Network Rail included receivables £nil (2020: £nil) and payables £15.9m (2020: £9.1m).

There were no other related party transactions during the year.

**22 Ultimate parent undertakings**

The Company is a wholly owned subsidiary of DfT OLR Holdings Limited, a company registered in England and Wales (number 07141122). The Company's ultimate parent undertaking and controlling party is the Secretary of State for Transport.

The immediate and ultimate parent undertaking and controlling party of DfT OLR Holdings Limited is the Secretary of State for Transport.

The financial statements of the Secretary of State for Transport can be obtained from Great Minster House, 33 Horseferry Road, London, SW1 P4DR.

**23 Post balance sheet events**

After the year end date NTL signed a settlement with XYZ Rail in relation to the construction of the Newton Heath maintenance facility and wheel lathe, following a mediation hearing. A liability had previously been recognised for this claim, and due to the post year end settlement agreement the amount recognised as at 31 March 2021 was amended to £2.5m to reflect the final agreement.

The Williams-Shapps plan for rail was published on 20 May 2021, setting out the government's plan to transform the railway in Great Britain. It details plans to deliver an efficient, financially sustainable railway that meets the needs of passengers by replacing franchising, accelerating innovation and integrating the railways.