Registered no: 07934306

Govia Thameslink Railway Limited

Annual Report and Financial Statements

For the year to 31 March 2023

CONTENTS

DIRECTORS AND PROFESSIONAL ADVISORS

Directors
I Grose
H Verwer
A Doll
L Frances
D Lavelle
V Merle

Company Secretary
R Swan

Auditor
MHA
Statutory Auditor
2 London Wall Place
London
EC2Y 5AU
United Kingdom

Banker
The Royal Bank of Scotland plc
250 Bishopsgate
London
EC2M 4AA
United Kingdom

Solicitor
Womble Bond Dickinson (UK) LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Registered office
3rd Floor
41 - 51 Grey Street
Newcastle upon Tyne
NE1 6EE
United Kingdom

Actuary
Willis Towers Watson
1 Wellington Place
Wellington Street
Leeds
LS1 4AP
United Kingdom

Strategic report

For the year ended 31 March 2023

The directors present their Strategic report for year ended 31 March 2023.

Govia Thameslink Railway Limited (the "Company") is a member of The Go-Ahead Group Ltd (the "Group").

Business review

The principal activity of Govia Thameslink Railway Limited (GTR) (the "Company") is the operation of passenger services on the Thameslink, Great Northern, Southern and Gatwick Express routes. This franchise is the largest of its type in the UK, representing approximately 18% of national passenger journeys. The GTR franchise was structured to facilitate the transformation and modernisation of passenger services, enabling capacity improvements through the government's Thameslink Programme infrastructure project. These improvements included the introduction of several new fleets of trains as well as the introduction of revised timetables and working practices.

On 10 October 2022, the Company's parent company Go-Ahead Group delisted from the London Stock Exchange and was purchased by Kinetic and Globalvia. This change in ultimate parent owner did not impact the day-to-day operations of the business. See note 25 to the accounts for more information.

On 25 March 2022 the Department for Transport (DfT) awarded a National Rail Contract (NRC) to GTR to continue operating the Thameslink, Great Northern, Southern and Gatwick Express rail services. The new contract commenced on 1 April 2022 and will run until at least 1 April 2025, and will continue thereafter to March 2028 at the Secretary of State's discretion. Like the Emergency Recovery Measures Agreement (ERMA) it replaced, the NRC is a management contract through which GTR provides agreed rail services for a fee which consists of a fixed management fee and a Performance Based Fee (PBF). The contract has limited revenue and cost risk in relation to disallowable costs, which is managed through the Company's internal processes and controls, and is not exposed to changes in passenger demand. Changes in allowable costs (as defined in the contract) are at the risk of the DfT provided that GTR manage the costs within agreed contracted budget and act as a good and efficient operator. In addition to the fixed management fee and potential PBF stipulated by the contract, the NRC also allows for individual project fees to be earned by GTR on the delivery of specific industry change initiatives as directed by the DfT.

In the first year of the NRC contract the PBF was assessed against specific targets in four areas, namely: Operational Performance, Customer Experience, Financial Performance and Business Management. All of the operational performance measures and the majority of Customer Experience measures are quantitative measures, and therefore the PBF fee can be calculated based on the actual performance vs. target based on the methodology in the NRC contract. Other than the Ticketless Travel Survey, all Financial Performance and Business Management measures are scorecard measures. The actual scores will only be confirmed by the DfT 6 months after the measurement period. As a result, management makes an estimate on PBF scorecard-based measures which is the basis for the fee income recognised for the period. Once the confirmed scores for the scorecard measures are received from the DfT the fee income recognised will be trued up resulting in a washup amount. Please refer to the subsequent events section for further information on the final first-year PBF results.

Between 1 April 2022 and 31 March 2023, the Company worked to deliver the plans and commitments from our first year of the NRC, with our corporate purpose acting as a beacon throughout the year: **bringing people together to help our communities thrive.**

In support of the Government's effort to create a sustainable railway, GTR worked closely with the industry, placing emphasis on controlling costs and encouraging more passengers to use the railway, while continuing our relentless focus on running a safe, on time service that meets customer needs. Much time was spent collaborating and building strong local partnerships to help our regions grow and prosper, with a timetable that met their needs. GTR's commitment to making improvements right across the business ranged from removing barriers for disabled people, to encouraging a more diverse workforce.

During the year, the Company saw travel patterns settle with customer volumes plateauing at circa 85% on weekdays and 100% at weekends. Mindful of the need to reduce Government subsidies and build a thriving railway, the Company used customer insight to encourage higher passenger numbers, showcasing the fantastic destinations to visit across the network and the good value fares available. The Company used innovative and creative approaches to ensure it changed behaviors. As such it launched major trials with a fresh take on leisure campaigns:

-New 'Go All Out On Days Out' campaign – launched in summer 2022
-New 'Advance peak tickets' for Southern customers on Mondays and Fridays, aimed at enticing commuters back to the office for a limited number of journeys on specific routes - launched in November 2022
-'Next level, Rewards!' a new loyalty scheme for customers to accumulate points with every pound spent, working towards rewards - launched in January 2023

Our services continued to be built based on insight gained from engagement with local stakeholders, and feedback received from customers, Rail User Groups (RUGs) and other local contacts. This more targeted and local approach to seeking input has proven to be effective and ensures the solutions GTR is delivering meet the actual needs of the communities the Company serves, including Local Authorities, schools and hospitals.

As such, the Company has been in ongoing discussion with local user groups regarding the East Coastway timetable. This local collaboration with the Hastings and Rother Rail User Alliance (a group of five user groups) began in Spring 2022 and saw local stakeholders actively involved in shaping the timetable, with several changes being made as a result of their input. Changes will eventually be implemented in the May 2023 timetable change, bringing improved connections and more regular service frequency.

A major challenge customers continued to face throughout 2022-23 was the ongoing national industrial relations dispute which saw over 20 days of action by ASLEF and RMT over the year to 1 April 2023. The Company deeply regrets the impact such action has had on customers and continues to urge the unions to engage with the Rail Delivery Group over changes to the industry that are required to secure a sustainable and positive future. Periods of industrial action were highly disruptive to customers and required the Company to flex plans to prioritize efforts on raising awareness of travel arrangements over the need to grow passenger numbers. It should be noted that each strike required GTR to mobilize resources to create a bespoke timetable able to accommodate for planned engineering works and events such as football fixtures, that are unique to each strike day.

The Company communicated the impact of strike actions on services as early as possible using the most appropriate channels, to ensure a high level of awareness and avoid any customer being caught out. This would typically involve offering media interviews with directors, as well as updates being made available on stations, online and digital channels. Particular attention continued to be given to engaging with more vulnerable customers, so they felt supported throughout, including people with booked assistance, schools and hospitals.

Given the popularity of smart tickets, GTR installed barcodes at all stations' gatelines, enabling passengers with smartphones to scan eTickets at the readers. Barcodes are ideal for advanced singles, peak and off-peak singles, and peak and off-peak day return tickets. These tickets can be bought instantly on the Company's website or apps, making life easier for customers. The technology helps reduce queuing in stations.

During the year, the Company launched the 'Your station, your community' fund to support local charities, customers, and the communities, focusing on the causes that are of key importance to them. Applicants were numerous and the fund supports the following key themes: mental health, education, and employability skills amongst marginalized groups, as well as diversity and inclusion and environmental sustainability.

In November 2022, a new ticket gateline opened at Gatwick Airport railway station with extra-wide openings for passengers with luggage. Part of a massive upgrade to improve accessibility for passengers, it includes a second station concourse, a new station entrance, wider platforms, eight new escalators, five new lifts and four new stairways.

GTR's Accessibility Policy outlines in detail the Company's commitment to accessible travel and recent developments, such as the launch of accessibility refresher training for all customer facing colleagues. GTR continues to extend its Mobile Assistance Team approach, with teams now providing assistance support from hub locations at 51 of its smaller stations (unstaffed or partially staffed). GTR continues to look at industry leading innovation such as the Aira app being successfully trialled at 4 key stations to support blind & partially sighted passengers to navigate their environment. Furthermore, the Company continues to support independent travel through collaborations with partnerships such as 'Whizz kids' and the 'Try a Train' programme.

GTR participates in the Go-Ahead Accessibility Forum, which meets regularly to share best practice from across the Group and to enable continuous improvement and innovation for passengers both in the UK and internationally.

GTR's zero harm ambition is now embedded across the Go-Ahead Group and has moved to its next phase post-pandemic of getting back to basics, ensuring all colleagues are equipped to deliver on the promise of caring for each other, customers and vulnerable persons. GTR is amplifying this with an internal and external call to action to; Be Safe, Feel Safe, Travel Safe. A newly optimized Safety Directorate is now in place to set the standards, provide the tools and training and work with stakeholders to ensure that call to action is delivered.

GTR continues to be at the forefront in the use of app technology, taking the lessons learned through the pandemic and continually refining app-based products. GTR's safety reporting app, which was introduced in 2021 and enables faster and more accurate reporting of all safety-related incidents, is now on version 4 and has been instrumental in improving reporting, realising an increase in reporting of all incidents of approximately 40%. With better data and insights, GTR has been able to ensure that initiatives are targeted, and resources focused, in the right areas.

GTR continues to refine its messaging and assess the residual risk associated with post-pandemic life and the current socio-economic environment. The Company recognises that its customers and people in its local communities can be vulnerable, which is why GTR was the first rail company to employ a dedicated suicide prevention manager and to train colleagues to make life-saving interventions. Recognising the vulnerability landscape has evolved, this portfolio has been expanded and redefined to include safeguarding and wellbeing.

Additionally, new risks have emerged, such as an increase in antisocial behaviour. To respond to this, GTR has pioneered the first-ever joint policing plan which has been countersigned by GTR and the British Transport Police. It pledges to collectively improve passenger and colleague confidence by increasing visibility and engagement and reducing violence and antisocial behaviour. The plan also aims to reduce assaults and increase prosecutions and protect, support and safeguard vulnerable people and those at risk of exploitation and harm, as well as tackle violence against females, hate crimes and sexual harassment. GTR has appointed a Head of Security and Policing to ensure the partnership with the British Transport Police continues to flourish and the tangible outputs assumed in the joint policing plan are delivered for our colleagues and passengers. This includes a continuation of Travel Safe Officers across the network, the replacement of the existing body worn video with a newer model, a joint data and intelligence led resource plan and amplified internal and external messaging.

The past couple of years have been difficult on everyone's mental health, and the industry is seeing an increasing trend in unsafe behaviors. To help support people who travel with us and in some cases save lives, GTR invited stakeholders and partners to join the employee training programme, so more people could be equipped with the right tools to help those in need. Education and training can make a real difference, and more people are now able to identify vulnerable people at the Company's train stations so they can intervene when support is needed. To date 55% of all colleagues have completed the training.

To further support our front-line teams, ensuring they are equipped to deal with the wide range of challenges they often have to navigate working in customer facing roles, additional training packages include homelessness, managing difficult situations, safety brilliant basics and introduction to safety everyday actions, MIND mental health training and ACT for Rail security training. Training is continually refreshed and improved based on emerging risks and industry insights.

GTR is committed to ensuring our colleagues' wellbeing is a priority with a Wellbeing strategy that includes an associated communication plan, education sessions, proactive health monitoring and promotion and an in-house Occupational Health team.

The Company continues to make good progress in relation to talent, diversity and inclusion including progress against key diversity targets. There have been a number of successes in the last year.

In October 2022 GTR achieved Ernst & Young's National Equality Standard (NES) Diversity & Inclusion Accreditation, becoming the first train operating company – in fact the first organisation in the transport sector – to receive this coveted standard. This was the culmination of a year of assessment by EY and internal audits across 35 competencies.

The Company partnered with 'Women Returners' to design, develop and support a Returners programme for GTR. Through the programme GTR has successfully recruited 5 females into Train Driver roles and ultimately plan to recruit a total of 8. Engaging with this programme has provided us the opportunity to access a high-calibre, highly motivated and experienced diverse talent pool.

As part of our developing disability recruitment and internal support strategy, Disability Confident awarded GTR 'Committed' status in May 2022 which allows room for further growth and development in this area.
GTR was also awarded the MoD's Armed Forces Covenant 'Silver' status in March 2023, highlighting our efforts to support veterans and reservists within the business and help more armed forces leavers into employment.

In April 2022 GTR partnered with Amaze, a charity that provides information, advice and support to families of children and young people with special educational needs and disabilities (SEND) in Brighton & Hove and Sussex. Through the charity GTR arranged work experience days at Blackfriars, City Thameslink and Luton Airport Parkway stations. The Company hopes to continue this partnership going forward and engage other young people with disabilities to experience working at our stations.

As part of our successful long-term relationship with the Prince's Trust GTR ran the 18th cohort of their 'Get into Rail' programme, with 6 young people successfully completing and being offered roles within the business.
Likewise, our other get into work scheme, a Sector-based Work Academy Programme (SWAP) was delivered in collaboration with East Sussex College, providing employability skills to 11 individuals who were long-term unemployed and hiring 3 into roles at GTR.

GTR's apprenticeship provision continues to grow with an additional 189 people joining apprenticeship programmes, this met our target and brings the total starters since May 2017 to 949 with 455 currently studying. At present 27.5% of our apprentice starters are female, with 28% of starters identifying as black or minority ethnic (BME). The train driver apprenticeship is one of the most popular programmes with 272 starts in total, of these 30% are female with 28% BME. GTR has increased the number of apprenticeship standards delivered with the introduction of a Learning and Development and Data Analyst programmes to aid skills development within the business.

In October 2022 one of GTR's Engineering colleagues was awarded Apprentice of the Year in the Transport and Logistics category at the Multicultural Apprenticeship Awards. GTR was also shortlisted for Diversity Team of the Year and Head of Diversity of the Year at the Burberry British Diversity Awards, the only train company to be shortlisted in any category.

Key Performance Indicators

For the year to 31 March 2023, the key operating statistics were as follows:

	Year ended 31 March 2023	Period ended 31 March 2022 (9 months from July 21 to March 22)*
Revenue	£1,661m	£1,272m
Operating profit	£32m	£23m
Public Performance Measure (PPM)	91.0%	86.2%
On Time Performance Measure	68.4%	74.8%
National Rail Passenger Satisfaction (NRPS)**	n/a	n/a

** Restated – see note 28*

*** The latest wave of NRPS surveys were published 2 July 2020 and due to the pandemic and a significant drop in the numbers of people using public transport, the NRPS was paused. There is currently no available independent measure of passenger satisfaction. At the date of signing the accounts, the NRPS has not yet resumed. See commentary below.*

Total revenue on a like-for-like basis decreased slightly year-on-year in part due to the disruptions from industrial actions. Total revenue consists of passenger revenue, other income and subsidy from the DfT. Passenger revenue recovery in the year to March 2023 slightly reduced the subsidy required from the DfT to fund the delivery of passenger service operations.

GTR had a challenging 2022/23 which was due to a number of factors that impacted the reliability of the service. At the start of the year, GTR experienced a five-year high trespass trend, which was then followed by extended hot and dry weather, leading to historic levels of soil moisture deficit (SMD). SMD results in the surface underneath the track bed becoming so dry that it is unstable, causing the ballast, sleepers and rails to move or, in extreme cases, separate so that the rails are no longer in gauge. This issue resulted in a significant number of speed restrictions, which impacted the punctuality of our services. Coupled with that, GTR had traincrew availability challenges which meant services were disrupted by additional cancellations and those services which were running were unable to recover from disruption as quickly as normal due to shortages of traincrew. In December 2022, the country and our services were affected by unexpected snowfall and industrial action taking place concurrently which had a detrimental impact on the service GTR was able to offer for customers. As GTR then entered into the final quarter of the rail year, the Company experienced high levels of trespass during February.

In relation to train performance, Q1 started in a favourable position for both On Time and cancellations, with strong punctuality results. However, due to the issues described above, On Time and cancellation performance were impacted and subsequently failed to recover throughout the year. There were however good days experienced in providing the timetable service, and it's worth noting how hard teams worked in ensuring those days were seen as often as possible, while faced with challenging external factors.

GTR delivered some key improvements in the year which have helped deliver more sustained levels of performance – namely in the Victoria corridor, which is part of the Victoria re-signalling programme. Phase three of this programme was delivered across the Christmas break, which will result in improved On Time performance going forward. GTR also delivered driver-initiated dispatch at key locations on the Brighton Mainline. This process enables drivers to self-dispatch their service, removing the need for platform staff to use the more time-consuming station staff dispatch procedures. This project was planned and delivered in just under two years, encompassing extensive union consultation and infrastructure changes, and has now seen strong outcomes in performance at those key locations.

The spring 2020 National Rail Passenger Satisfaction survey is the last set of results published by Transport Focus. The National Rail Passenger Satisfaction survey was paused as a result of the COVID-19 pandemic. As a result of this survey being paused, the Board has looked for alternative metrics on which to measure performance:

- GTR has used a mixture of its own online customer surveys and industry trackers such as RDG's 'Wavelength' survey to keep up to date with customer satisfaction levels.

- For the year to 31 March 2023, Wavelength returned a score of 7.6/10 for overall satisfaction, just 0.1 point below the industry score for the same period. These satisfaction levels continue to be driven by train performance, helpful information, and the support offered to customers by colleagues.

- The GTR 2022 Annual Stakeholder survey continues to yield positive scores, against targets set in the Annual Business Plan. Pulse surveys twice a year, and following certain events, show the same high levels of satisfaction with the approach taken to stakeholder management. The team continues to monitor scores and use feedback to make changes to the approach to keep satisfaction levels high.

- A new industry customer survey continues to be progressed with a pilot later this year. Full roll out is expected in Spring 2024.

There was an operating profit of £32m in the year. The key drivers of operating profit were the NRC Management & Performance fees and Pre-EMA transactions. Cash generation from passenger activity was strong, supported by regular DfT subsidy support per the NRC. The balance sheet remains robust.

GTR holds provisions for income and costs which relate to unsettled historical performance regimes and contractual obligations. The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations, particularly in relation to the settlement as part of the transition from the ERMA franchise to the NRC is set out in note 18. Significant elements of the dilapidation provisions are subject to interpretation of franchise agreements and rolling stock agreements. The Company has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the appropriate provisions required. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from external surveyors to support provision levels.

The Company has disclosed contingent liabilities for (i) Boundary Zone Fare proceedings against GTR and other parties (London & South Eastern Railway, The Go-Ahead Group Limited, Govia Limited and Keolis (UK) Limited); and (ii) Pricing Practice proceedings against GTR, The Go-Ahead Group Limited and Keolis (UK) Limited. No provision associated with the claim has been made as the Company cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Annual Report and Accounts. Refer to note 26 for further details. Provisions for legal fees of £10.3m have been recognised.

The Company has met all its financial obligations contained within the various contractual arrangements entered into within the year, without the need to call on financial support from its shareholders. As at the year end, other than the commitments detailed in note 20, the Company has not required any permanent financial support from its shareholders over the life of its franchise.

Principal risks and uncertainties

The Company has procedures in place to assess, prioritise, monitor and mitigate business risks. The Company ensures that its board of directors and senior managers have considerable experience in the rail industry and can address key issues as they arise. The principal business risks monitored in this way include, environmental, political, infrastructure performance, economic, information security and industrial relations risks.

Environmental Risks
The Company focuses on minimising the environmental impact of the Company's activities. Within the NRC there are a number of obligations which are overseen by the Head of Environment. These obligations include annual reporting of environmental performance data, to both the DfT and the Rail Safety and Standards Board (RSSB), and the maintenance of both ISO 50001 and ISO 14001 environmental sustainability accreditations.

Political Risks
As an operator of one of the UK's largest rail contracts, the Company is actively working with the Government to shape the future of the industry, now under the transition to Great British Railway (GBR), the proposed state-owned body which is to oversee all rail transport in Great Britain when it is established.

In the aftermath of COVID-19 there is greater state control of the rail industry to ensure the continuity of services. The NRC has been in place since 1 April 2022 and transfers additional risk to the operator, notably a significant tightening of controls over sub-contracts, in particular affiliate trading; disallowance of costs above budget by cost category; and a commitment to adapt and respond to changes directed by the DfT.

Infrastructure Performance Risks
Network Rail has responsibility for infrastructure performance, which impacts the Company. Both organisations continue to work closely together to understand the underlying cause of delays and agree improvement strategies which will minimise disruption to customers. In addition to the Alliance Board, established between Network Rail and the Company, GTR and Network Rail also operate a joint senior performance board to ensure that this area gets the highest level of attention.

Very careful preparations are made for major service and infrastructure changes. Timetable enhancements are being made progressively to minimise the risk of disruption. The underlying reliability of the network infrastructure will continue to be of significant concern in relation to the Company's ability to operate at the levels of punctuality that customers expect.

Economic Risks
Under the NRC the DfT underwrites both revenue and cost risk. On this basis, there is no significant economic risk from the contract. Management is focussed on performance, cost control and compliance with the obligations contained within the NRC. Fundamentally, for the Company to remain compliant with the NRC, management needs to ensure the Company remains a 'good and efficient' operator in all aspects of its business.

Failure to comply with the obligations contained in the NRC could lead to financial penalties or, in an extreme situation, termination of the contract. Compliance with the contractual terms is closely monitored by an experienced franchise compliance team.

Information Security Risks
Cyber security is a key focus area. Specifically, there is continued focus regarding General Data Protection Regulation (GDPR) and Network and Information System (NIS) compliance, as well as the formalising of an information security management system framework. Monthly KPI reporting of information security issues is in place, and initiatives continue to increase awareness of cyber risks, such as phishing.

As part of the agreement with the DfT when entering the NRC, the Company is currently in the process of implementing an IT separation project, which involves removing all remaining links between GTR and Go-Ahead's IT systems.

Industrial Relations Risks
Even though revenues have recovered, they remain below pre-pandemic levels, with the shortfall continuing to be funded by the taxpayer, a situation generally acknowledged to be unsustainable. To ensure the future sustainability of the sector, significant cost savings must be found, which will necessitate significant reforms to working practices.

Train Operating Companies (TOCs) have been subject to ongoing industrial action since June 2022. The Rail Delivery Group had been seeking to agree national principles, which if agreed, would be followed by individual TOCs resuming local collective bargaining. While TSSA has accepted the national principles on pay and work force reform, local talks cannot commence without national principal agreement from all relevant trade unions, due to multi-union single-table bargaining at GTR. The risk of further industrial action, without resolution, continues as a result of limited Trade Union engagement at the Rail Delivery Group. ASLEF currently have no/ minimal levels of engagement; RMT may consider further talks and TSSA seeks performance of the agreement it says was reached at national level.

To mitigate these effects, GTR has, among other actions, engaged external legal support in relation to industrial relations and litigation; continued with weekly briefings of Regional Organisers and local union representatives; provided training for managers on Trades Union relations and sharpened its focus on employee communication and engagement. GTR maintains high levels of collaboration with other operators through the Rail Delivery Group and other industry bodies, with Network Rail and with the DfT and on a practical level, have established effective operational contingency plans.

Streamlined Energy and Carbon Reporting

Overview

Govia Thameslink Railway Ltd (GTR) is committed to protecting the future and delivering a more sustainable railway. As a company, GTR is committed to taking environment and energy concerns into account in all our decisions as it works towards minimising the environmental impact of the business.

GTR remains fully certified to ISO14001:2015 Environmental Management Systems as GTR manages its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability. ISO 14001:2015 helps GTR to achieve the intended outcomes of our environmental management system. This provides enhancement of our environmental performance, fulfilment of compliance obligations and achievement of our environmental objectives.

GTR is also fully certified to ISO 50001:2018 Energy Management Systems which is our approach to managing energy use and consumption, including measurement, documentation and reporting, design and procurement practices for equipment, systems, processes, and personnel that contribute to energy performance. Both systems were recertified in May 2023.

The organisation has trained an enthusiastic team of employees to be Environmental Champions across our network. These Champions are our eyes and ears on the ground, looking and listening for any environmental issues and communicating good practice to their colleagues.

Climate change has been identified as one of our key areas of corporate risk, and as such GTR has put in place several measures to mitigate and adapt to the impacts of a changing climate. With continued support from top management and engagement at all levels of the business GTR has begun to provide a level of resilience that will continue to develop into the future.

How GTR is working to mitigate against the impacts of climate change

Govia Thameslink Railway and Network Rail are working together to decarbonise the routes GTR operates and achieve carbon net zero targets by 2050. Both organisations have created carbon reduction programmes and are working together on joint initiatives and collaborative projects to ensure a whole-system industry approach to tackling climate change. Our net-zero strategy contains multiple objectives and targets, and is reviewed annually by the Department for Transport.

GTR has worked in collaboration with the not-for-profit community benefit society Energy Garden to instal 526 solar photovoltaic panels on our engineering depot at Streatham Hill. The panels are projected to save 884 tonnes of CO2 and generate 4,165,000 kilowatt hours of clean electricity over a 20-year period. These panels provide around 40-45% of the depot electricity requirements, with the excess energy generated supplied to the clothing company Patagonia. The revenue generated by the panels fund Energy Garden's delivery of schools' education, youth training programmes and community gardens on the London rail network. GTR looks forward to extending the programme to a further 3 Engineering Depots over the coming years.

As part of an initiative to deliver the first such upgrade on the rail network, a new type of photovoltaic film was fitted to the new canopy roofing at Denmark Hill Railway Station with the ability to produce more energy than the new building needs and put energy back into the electricity grid. Denmark Hill is the first station upgrade in Europe to use this photovoltaic 'film'.

All non-traction electricity used on GTR stations, offices and depots is provided through a green energy tariff supplied by SEE. Traction electricity is purchased through Network Rail via low carbon nuclear power.

GTR is working hard to enhance biodiversity on the land under our control by collaborating with local wildlife trusts operating across our Geographical Area and developing and implementing biodiversity monitoring and improvement projects which will be included in our annual biodiversity plans. In addition, GTR is collaborating with other external groups to create, or enhance, 100 'homes for nature' across our estate – ranging from bug hotels to wild gardens. GTR has begun working with the Wildlife Trusts to identify, survey, monitor and improve sites for biodiversity, using qualified ecologists to survey and advise on habitat management plans.

How GTR is adapting to the impacts of climate change

In the months following Storm Eunice, GTR cross functionally investigated the service impacts of the extreme weather event to develop a cost impact analysis of how our organisation was affected. This included train delay minutes, station and depot infrastructure faults and IT outages. The data gained from this analysis allowed us to develop an initial climate risk assessment and begin putting controls in place to monitor and report on extreme weather in preparation for the next event.

In August 2023, GTR launched an internal Weather Resilience and Climate Change Adaptation (WRCCA) Working Group. This group ensures holistic plans are in place and captures full costs and effort in planning for and during extreme weather effects, impacts on operations and customers and priority actions to tackle this increasing risk.

In alignment with the organisations own WRCCA Working Group, a Climate Change Cross-Industry Working Group has been launched. This group is a GTR collaboration with Network Rail Southern Region, South Eastern and South West Trains to develop and create a cross-industry charter for working together on climate resilience and adaptation, including guiding principles and a framework for working together.

In July 2021, GTR's parent company the Go-Ahead Group launched its Climate Change Strategy, setting out how as a Group Go-Ahead will continue to adapt to the effects of climate change. This includes decarbonising the transport fleet, reducing the negative impact of air quality from our operations, cutting our water usage, and reducing waste. Governance of this strategy is provided through the Climate Change Task Force, a multi-functional, multi-business team of people selected from across the Group's operating companies and head office, charged with formulating this plan and enabling the subsequent programme of climate-related projects to be delivered successfully. GTR is a key member of Go-Ahead Group's Climate Change Taskforce, with members of GTR leading on several key workstreams, including climate change adaptation.

Greenhouse gas emissions, energy consumption and energy efficiency

Energy Consumption Dataset	April 2020 - March 2021	April 2021 - March 2022	April 2022 - March 2023
Traction Electricity (kWh)	734,936,984	709,299,458	667,264,811
Traction Diesel (kWh*)	54,222,068	49,572,117	42,199,337
Non-Traction Electricity (kWh)	47,465,030	48,164,350	46,924,558
Non-Traction Gas (kWh)	15,783,746	16,788,057	17,764,156

* 1 diesel litre equivalent to 10.88 kWh (https://assets.publishing.service.gov.uk/media/5a7987cee5274a684690a3ff/7309-cca-draft-technical-guidance-app-b.xls)

Scope 1 and Scope 2 Emissions (T CO_2e)	April 2020 - March 2021	April 2021 - March 2022	April 2022 - March 2023
Scope 1 Emissions from combustion of diesel fuel for traction	12,689	11,447	9,921
Scope 1 Emissions from combustion of site gas	2,902	3,075	3,593
Scope 1 Emissions from Ancillary Vehicles*	0	225	0
Scope 1 Emissions from HVAC*	0	84	0
Total Scope 1 Emissions	**15,591**	**14,831**	**13,514**

Scope 2 emissions from traction electricity	171,343	150,606	129,036
Scope 2 emissions from non-traction** electricity	11,066	0	0
Total Scope 2 Emissions	**182,409**	**150,606**	**129,036**

*No HVAC or ancillary vehicle data available for 2020-21. 2022-23 HVAC and ancillary vehicle data was not received in time for report verification and submission.
**Non-Traction' refers to built infrastructure such as railway stations, depots, and offices.

Emissions Ratio CO2e Per Passenger Journey	April 2020 - March 2021	April 2021 - March 2022	April 2022 - March 2023
Passenger Journeys*	76,104,215	179,000,656	250,372,054
Total Scope 1 & 2 Emissions (Tonnes)	198,000	165,436	142,550
CO_2e Per Passenger Journeys (kg)	**2.60**	**0.92**	**0.57**
Methodology	GHG Reporting Protocol	GHG Reporting Protocol	GHG Reporting Protocol

*Passenger journey information provided by ORR https://www.orr.gov.uk/node/2926

Future developments

The NRC runs to the end of March 2028, and while there is an option for the DfT to terminate the contract at March 2025, the Company believes they will not do so, preferring to let it run for its full term. Further developments after 31 March 2023 include the progress of Stations Workforce Reform and the introduction of a Revenue Outturn Mechanism, which have been summarised in the Principal Decisions section below, the Directors' Report and in note 29.

Section 172(1) of the Companies Act 2006 Statement

In their discussions and decisions during the year, the directors of the Company acted in a way that they considered, in good faith, was most likely to promote the success of the Company for the benefit of its sole member. In doing so, they had regard to the Company's key stakeholders and the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 as explained below.

The likely consequences of any decision in the long term:
The directors recognise that their decisions will have an impact on the Company's long-term success. Board discussions take account of stakeholder interests, and the decision-making process includes balancing competing interests, whether short or long term. Further information on stakeholder engagement and its impact on principal decisions made during the year is set out in the respective sections below.

The interests of the Company's employees:
The Company's employees are fundamental to its success, both in the short and long term, and their health, safety and wellbeing is a priority for the directors. "Health and safety", "People and engagement" and "Industrial relations" have been mandated by the Group as items to be considered at each scheduled board meeting of every operating company within the Group, supported by detailed briefing papers circulated in advance of each meeting.

The need to foster the Company's business relationships with suppliers, customers and others:
Positive business relationships with suppliers, customers, government and other key stakeholders underpin the Company's delivery of services. Relations with suppliers, particularly in relation to dealings with smaller suppliers, are guided by the Group's Sustainable Suppliers policy, which can be found, together with other related policies, on the Group website www.go-ahead.com/sustainability/policies. The Board regularly reviews how the Company maintains positive relationships with all stakeholders, including suppliers, customers and others. Details of stakeholders are set out in Principle 6 of the Corporate Governance Report. Please refer to the Corporate Governance Report on page 18 for further details on how GTR engages with its suppliers, customers and others.

The impact of the Company's operations on the community and the environment:
As an operator of public transport, the Company aims to enhance the lives and wellbeing of every community where it operates by providing them with vital transport services. Environmental considerations are central to the strategy of the Group, and therefore to the Company. The Group has committed to reduce carbon emissions by 75% by 2035 and consolidating zero emissions capabilities is one of five key enablers underpinning the Group's strategic priorities. Further information on the Group's approach to environmental considerations can be found in the Group's Annual Report & Accounts 2022 published on www.go-ahead.com.

The Company aims to align its business values, purpose and strategy with the social, economic and environmental needs of its stakeholders, embedding responsible and ethical business policies and practices in everything it does.

With many people using GTR's trains every day to get to work, school or see friends, GTR understands the importance of rail to passengers, communities, its colleagues and the economy. Therefore, the Company's commitment is to strengthen its contribution to the economy, increase customer satisfaction, focus on adding value in local communities through sustainability schemes, safety awareness and wellbeing.

Highlights for the year ending 31 March 2023 were as follows:

- Thousands of children educated in railway safety
- Suicide Prevention Training rolled out to stakeholder and community rail partners to mark World Suicide Prevention Day

- Mental health awareness campaign collaborating with Stevenage Football Club launched
- 12-month pilot recycling initiative launched at Brighton station with The Green Block
- 'Try a Train' events held to build confidence in using the train with a variety of disadvantaged community groups
- Your Station Your Community Fund launched on 28 June 2022, providing grant funding to community groups based in and around GTR stations. GTR received 373 applications, with 21 schemes receiving funding to deliver projects by March 2024. A second grant round is to be launched in October 2023.
- Abandoned bikes donated to community partners to support upcycle and upskilling programmes.
- Multiple station partnerships making local stations more welcoming and vibrant.
- Involvement of stakeholders in the development of a new timetable for services between Ashford International and Brighton, subsequently successfully introduced in May 2023.

The desirability of the Company maintaining a reputation for high standards of business conduct:
The directors acknowledge their responsibility for setting and monitoring the Company's culture, values and reputation. This is undertaken in line with the Group's purpose and values and the Group policies for responsible business management, which can be found at www.go-ahead.com/sustainability/policies.

The need to act fairly as between members of the Company:
The Company is owned by Govia Limited which is itself owned by the Group (65%) and Keolis (UK) Limited (35%). The Group is structured around a devolved operating model and the Company is managed by its board of directors as a standalone business unit in accordance with the arrangements established by the shareholders of Govia Limited. Further details are set out in the corporate governance arrangements section of the Directors' Report.

For details of how the Company engages with the Group, please refer to Principle 6 in the Corporate Governance Report on page 18.

Stakeholder Engagement

GTR's relationships with its stakeholders are key to its success. By engaging meaningfully, the Company gains insights into their needs. This feedback forms part of the Company's decision-making process at every level of the business, from the Board to its local management teams. The examples which follow demonstrate consideration of the matters set out in Section 172 of the Companies Act 2006.

Stakeholders	Why we engage	How we engage	Key topics of engagement during 2023 financial year	How we responded
Our people Our business is built by colleagues whose commitment, innovation and ambition help deliver the best possible transport service to our customers. We have an experienced, diverse and dedicated workforce who we recognise as a key asset of our business and to whom we have a strong commitment to personal development.	To maintain a highly engaged and motivated workforce To create a constructive, two-way dialogue, ensuring colleagues have a platform to have their voices heard To promote wellbeing and ensure the safety of our people To understand how we can best provide a supportive and collaborative workplace To ensure alignment between people agenda and business strategy	Defined new values and behaviours for leadership Colleague engagement surveys Effective leadership and line management Communication through the Company intranet, newsletters, forums and ad hoc meetings Powerful Conversations introduced Colleague training programmes and workshops Focus on development	Health, safety and wellbeing Diversity and inclusion Maintaining and continually improving colleague engagement Development and training opportunities Opportunities for progression Opportunity to share ideas and make a difference Flexible working Modernising and transforming working environments	Increased participation in our annual colleague survey. Development of health and wellbeing initiatives Continued dialogue to understand likely scenarios around return to office working Continued focus on diversity and inclusion. Increases to female and BME apprenticeship applications. Employee apps across operations for safer and more efficient working

Stakeholders	Why we engage	How we engage	Key topics of engagement during 2023 financial year	How we responded
	To encourage equal opportunities and a more diverse workforce To ensure we develop colleagues through professional development and training	Lunch and learn sessions Business update presentations Board and senior management site visits Management conferences. Engagement with trade unions Reinstated annual long service and retirement awards	Colleague recognition and reward Working throughout the COVID-19 pandemic, job security and pay	Support for remote working practices to balance childcare/home-schooling, etc. where appropriate
Customers Customers are at the heart of GTR and we are dedicated to providing them with safe, convenient and reliable services. We understand our local markets and strive to exceed our customers' expectations.	To identify priority areas for improvement in order to maintain our high level of customer satisfaction To respond quickly and effectively to meet changes in customers' needs and preferences To fully understand the needs of our different and diverse customer groups To improve or maintain a high quality, reliable and safe passenger transport service To enable us to deliver new and innovative products and integrated, customer-focused solutions To maintain a reputation for high standards of business conduct	Online communications – website, newsletters, emails and social media Customer satisfaction surveys Continual review of customer feedback Customer-facing colleague feedback Customer panels and focus groups Customer, industry and on-site events	Reliability and punctuality of services Safety measures Overall on-board experience Value for money, including ticket price Quality and amount of delay and disruption information including timetable changes Station amenities Route and timetable enquiries Colleague training and development Accessibility and support for passengers with different needs Active travel initiatives	Enhanced safety features and cleaning regimes Local interaction regarding timetable changes Continued rollout of tap-on/tap-off contactless ticketing, and increasing emphasis on non-cash transactions Rail station improvements with significant cycle hubs to make active travel easier Access Advisory Panel continued to meet, helping GTR enhance on board and station accessibility. Disability awareness courses delivered to customer-facing colleagues. Rail journey planning tools launched to help customers find quieter services.
Strategic partners and suppliers Collaborative strategic partnerships are core to our business model. We build strong relationships with transport authorities and industry bodies to deliver efficient, high	To develop strong, mutually beneficial relationships To ensure closer alignment of values To provide collaborative and innovative solutions to societal challenges	Joint membership of industry groups Collaborative working with partners to deliver specific solutions Engagement groups to build long term relationships	Specific industry solutions Long term partnerships Collaborative approach Raising standards and delivering long term goals	Maintained key principles introduced last year to our pre-qualification and tender documents in relation to ethical employment practices, the environment, health and wellbeing and community cohesion

Stakeholders	Why we engage	How we engage	Key topics of engagement during 2023 financial year	How we responded
quality services. Our suppliers, which range from large multinational companies to small independently run businesses, partner with us in delivering innovative solutions for our customers.	To ensure those with whom we work demonstrate a commitment to sustainability, employee wellness and diversity To ensure the effective delivery of contracts To enhance competitive advantage To effectively monitor, manage and mitigate risks in our supply chain	Periodic surveys of our current suppliers Regular meetings to discuss supplier performance and areas for improvement, identifying risk and mitigation plans	Delivering value, consistency, engagement and better planning Sustainability challenges Open terms of business Fair contract and payment terms Prompt payment Supply chain disruption contingency planning	Set targets on payment performance and complied with the Prompt Payment Code Continued engagement with Network Rail and local transport authority providers at multiple levels
Government Policy and regulatory change directly affects our business and creates the framework through which we operate. Working closely with both central and local government enables us to contribute our private sector experience and expertise to the public agenda and produce better policy outcomes and service delivery.	To secure recovery in passenger volumes that support economic development, environmental targets and social priorities To raise public transport higher up government agendas To influence and inform policy making To represent the views of other stakeholders: customers, colleagues, communities and shareholders We operate services on behalf of the Government via the DfT and continually engage on matters relating to the contracts we operate	Ongoing engagement with government bodies and clients, notably the Department for Transport (DfT) Group membership of the All Party Parliamentary Group on rail Participating in various expert working groups, select committees and government consultations Engaging in policy discussions over key industry topics and advising on delivery implementation Ongoing dialogue with local MPs Partnering with campaign groups such as Campaign for Better Transport and Sustrans	Passenger volume recovery Annual review of the National Rail Contract Contractual arrangements and features National rail reform Environmental policy and compliance, including climate change and transition to zero-emissions Apprenticeships, skills and diversity Proactive engagement with local authorities Support for local economic plans and strategies Sharing experience and expertise with other operators Workforce reform and ticket office consultation	Engagement with the DfT and industry partners on rail reform Campaigns on customer recovery and confidence Engagement via the RDG and Rail Partners
Communities As an operator of public transport, we provide a vital service to communities, transporting passengers to work, education, facilities and services. We strive to provide the social and economic benefits of affordable and accessible	To maintain our role at the heart of our communities and play our part in helping communities thrive To address economic, social and environmental issues and priorities To find the best solutions for connecting people with	Meetings with councillors, planning officers and other key officials to work in partnership for common community goals Continual two-way communication with local businesses and organisations	Effectively managing our environmental impact Investment in local infrastructure Engaging and responding to community needs Direct contributions through utilising local suppliers, community volunteering,	Direct community investment through volunteering, sponsorship and fundraising Local meetings with MPs, the Chamber of Commerce and Local Economic Partnership Boards and BIDs MP drop-in events

Stakeholders	Why we engage	How we engage	Key topics of engagement during 2023 financial year	How we responded
travel in the towns and cities in which we operate.	family, friends, work and facilities To enable us to respond appropriately to the needs of our communities To maintain our focus on operating responsibly within society To achieve our environmental objectives and targets To support social inclusion and tackle isolation	Onsite community engagement events to understand the needs of the local community Collaboration with local charities, participating in volunteering and fundraising initiatives Regular updates through social media, our website and apps to keep communities informed	sponsorship and fundraising Providing timely and accurate travel information to ensure safety and adherence to government guidelines on public transport Providing safe and affordable public transport solutions to support social mobility and economic regeneration	Regular stakeholder newsletters Contributed to policy discussion on GBR Try a Train events for local communities to build confidence in rail travel Engagement over the re-drawing of the East Coastway timetable leading to an event with the Rail Minister and stakeholders
Shareholders We provide our shareholders with open and transparent information and encourage two-way communication. Feedback from our shareholders forms part of the strategic board discussions. We operate our business responsibly and with strong financial discipline to protect the interests of our investors.	To ensure that our long term strategy is aligned with the interests of shareholders To explain how we aim to deliver sustainable growth and maximise the growth potential of the business To provide updates relating to the financial performance and position of the business To ensure the views of shareholders are considered in policy setting and aligned to their ESG investment criteria	Face-to-face meetings and phone calls Board meetings and focus topic discussions Annual Report	Leadership changes and board succession planning Corporate governance and internal controls Strategy and business model Financial performance Risk management Passenger demand and travel pattern Future of UK Rail franchising ESG performance Political environment	Commitment to transparent reporting with clear communications at regular intervals throughout the year

Principal Decisions

The Board's principal decisions for the year ended 31 March 2023 addressed the following areas:

Actions necessary to address poor operational performance and a change to the Company's operating model

During the year, as GTR learned more about the requirements and dynamics of the NRC contract and the need to have a central focus on PBF delivery, GTR concluded that our devolved structure was no longer fit for purpose. After an extended period of under-performance in relation to train cancellations and poor punctuality during the year, and to give the matter clear focus outside the day-to-day train and service management, GTR decided to create a centralised taskforce under discrete leadership. Through this team GTR developed and successfully delivered a Remedial Plan to address operational performance.

The decision to centralise Train Service leadership under the Chief Operating Officer and focus on delivery and optimisation of the Performance Based Fee was a trigger to revisit GTR's operating model to one of centralised control of Business Plan delivery. The changes introduced to GTR's high level organisation structure enable stronger focus on NRC delivery and optimisation of the PBF.

Stations workforce reform

The Williams-Shapps Plan for Rail highlighted the need for fares and ticketing reform to grow customer satisfaction. Stations Workforce Reform was born out of this requirement to serve the customer better. As part of that, during the year, private sector owning groups and Train Operating Companies undertook analysis to determine how best to implement the overall strategy for reform of station service models. Subsequently, GTR entered into an agreement with DfT to consult on these plans with customers and stakeholders, then to determine the best way forward. Consultation took place during the summer of 2023. More information is given in the Subsequent Events section of the Directors' Report and in note 29 Post-balance sheet events.

Decision to adopt the Revenue Outturn Mechanism (ROM) (post year-end)

After a period of focus solely on cost efficiency measures the Company, with other owning groups and Train Operating Companies, made the case with the DfT to broaden the scope of the NRC and consider how best to incentive performance across the whole profit and loss account, including incentives for revenue growth. GTR worked closely with industry partners and the DfT over a period of time to develop appropriate mechanisms to provide suitable rewards for revenue generating initiatives, which will take effect in the second half of the 2023/24 financial year.

The Strategic Report was approved by the board of directors and signed on their behalf by:

Hendrikus Verwer
Director
13 December 2023

Corporate governance report

For the year ended 31 March 2023

During the year ended 31 March 2023, the Company applied the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles"). The Wates Principles are published by the Financial Reporting Council (the "FRC") and are available on its website. The way in which the Company applied the Wates Principles during the year is set out below.

Principle 1 – Purpose and Leadership

The Board continued during the year, to embed and reinforce the Company purpose which is: "Bringing people together". The Company is focused on the communities it serves and has effective and longstanding partnerships with local user groups, commuter associations, local authorities and elected representatives. Within the Company, GTR is continuing to bring improvements to our services and customer experiences across our network, so that our customers feel GTR is with them.

The Company has worked closely with industry groups and partners to develop its thinking around purpose and the strategy to deliver to its maximum potential. This has taken the form of canvassing views and opinions in forums and meetings and has been briefed out to colleagues and stakeholders in business wide events.

The purpose of the Company and the three strategic pillars of "brilliant basics, strong partnerships and shifting perceptions" are now embedded in the corporate governance of the business, with business cases, organisational design and resource prioritisation reflecting these pillars. The strategic objectives of the Company remain:

- Advancing the business – targeting scarce resource and investment in key strategic areas.
- Providing robust governance – recognising the growing importance of capturing, storing and providing secure, effective access to data that is growing exponentially year on year.
- Supporting operational excellence – providing structural solutions that support the business and various departmental service excellence initiatives.
- Simplifying system complexity and supporting one version of the truth – reducing the burden of maintaining and evolving existing systems and services, thereby making resources available to further deliver advances to the business.

The Company is additionally required to produce an Annual Business Plan for the Department for Transport (DfT), aligned to the DfT's rail sector objectives. This Business Plan not only establishes financial parameters for our operations but also articulates a number of Business Plan Commitments and performance measures that are jointly monitored with the DfT.

Our purpose is supported by a set of values (Accountable, Transparent, Collaborative, Agile, Open Minded) and behavioural frameworks. All of these aspects are aligned to the strategic objectives and embedded and integrated throughout the employee life cycle through recruitment, induction, training, internal communications, performance development reviews, colleague engagement surveys, HR policies and procedures, and a National Equality Standard (NES) accreditation process. Initiatives such as the Star Awards recognition scheme are directly aligned to our values and behaviours and provide useful measures of how our people bring the value of our culture to life in their day-to-day roles.

The Company's three-year People Strategy was approved by the Board in April 2023. This replaced the previous three-year People Strategy which was approved by the Board in February 2020. Our ambition is to have a highly-capable, engaged and inclusive workforce delivering our promises. We believe that if we look after our people, they will grow and love to work at GTR, they will deliver our promises and help us build an inclusive and high-performing organisation. In line with its People Strategy, the Company's focus has therefore been on the following:

- *Leadership provides a strong strategic narrative*; a clearly expressed purpose so all colleagues understand who we are, what we are seeking to achieve and where their contribution fits in – we continued to hold monthly management forums to provide a regular platform for employee-director communication
- *Get the best from our operating model*; decentralised, agile and responsive, ensuring that we continuously learn and improve our business – we continued to hold senior leadership meetings at a brand level, empowered to undertake their own localised projects

- *Provide the basics for our colleagues*; to demonstrate that they are valued and respected – in the current year we've continued to encourage engagement through our intranet postings and our internal social media platform
- *Make diversity and inclusion part of our DNA*; ensure that we are representative of the communities we serve and that all colleagues can succeed and thrive in our inclusive culture – in the current year we have seen an increase in female and BME candidates applying for roles
- *Foster a culture of life-long learning*; colleagues are encouraged to take ownership of their own development and access to on-line development resources are available to all – in the current year we continued to invest in our online training portal
- *Develop capable and engaging managers*; our managers are empowered; we expect them to care, coach, support, resolve problems and develop their people
- *Ensure our colleagues have a voice – and show we are listening*; we seek feedback from our colleagues and check-in regularly to know how they are feeling and hear their ideas for improvement – in the year we ran a company-wide colleague engagement survey and developed and delivered actions plans in response to the findings
- *Recognise and celebrate our everyday heroes*; we ensure our colleagues feel valued and recognised for a job well done – in the current year we have implemented an employee recognition scheme

Principle 2 – Board Composition

Chair
Meetings of the Company's board of directors were chaired by Christian Schreyer

Balance and diversity
The Board comprises representatives from both The Go-Ahead Group Limited and Keolis (UK) Limited as well as other members with a range of skills and knowledge, and includes key operational roles – the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and, since July 2023, the Chief Customer Officer. Appointments to these roles are based on merit, and each individual appointed is experienced both in their field of expertise and in the wider transport industry in which the Company operates. As a subsidiary within the Group, the Company applies the Group Equal Opportunities, Diversity & Inclusion policy, further details of which can be found on the Group's website www.go-ahead.com/sustainability/policies. Diversity in appointments to the Company's board is promoted by GTR.

Size and structure
The number of directors appointed to the Company's board is calibrated to the size and complexity of the Company's operations. As the Board benefits from the support of the Group's executive directors and representatives from Keolis (UK) Limited, it considers the appointment of independent non-executive directors to be unnecessary. However, with effect from 1 April 2022, the Group's audit committee Chair was appointed to the Company's board to provide an enhanced connection between the boards of the Company and the Group.

Board meetings continue to be held on a monthly basis, with longer deep dive review meetings held every quarter. The Group's Audit Committee Chair was appointed to the board of GTR with effect from 1 April 2022, the date of the new National Rail Contract, and provides a clear line of sight to the Group Audit Committee and Group Board.

Effectiveness
The Company's board held monthly and quarterly deep dive review meetings during the year. In accordance with the Group's operating company board procedures manual (the "Board Manual"), board meetings addressed standing agenda items, and meeting papers were circulated to all directors in the week prior to each meeting to allow sufficient time for preparation. All directors are expected to attend all meetings of the Company's board. Attendance and contribution to board discussions is a key element of the Company's senior leadership roles. Explanation and guidance on the role and statutory duties of a director are provided to the board in the Board Manual, and further support is available to the directors from both the Group's Company Secretary and its Legal Director.

The Board continues to receive regular training on NRC contract compliance and contract changes from external counsel to support their assessment of compliance requirements.

Principle 3 – Director Responsibilities

The Board holds eleven scheduled meetings a year with all directors expected, wherever possible, to attend all Board meetings. The Board receives regular and timely information (at least every four weeks) on all key aspects of the business including financial performance and KPIs, capital expenditure, contracts and tendering, health and safety, operating and engineering performance, people and engagement, market and competition and industrial relations. The Board continuously challenges itself and its governance procedures against the strategy set out in Principle 1 (Purpose and Leadership).

The Group Board reviews governance processes, including policies and procedures, on at least an annual basis to ensure that these remain fit for purpose and strengthen the governance of the Company. The Company complies with the Group Policies and Procedures Manual and reports its compliance to the Group annually on a self-certification basis. This includes an Operating Company Board Procedures Manual which sets out formal procedures for the working of the Board, delegated authorities, the timely provision of appropriate information and the duties and responsibilities of directors, including standards of conduct and compliance. The Company's HR policy sets out, amongst other things, policies on code of conduct, conflicts of interests and public interest disclosure.

The Board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Companies Act 2006. All directors are required to make the Board aware of any other commitments and actual/potential conflicts of interest that could interfere with their ability to act in the best interests of the Company. The authorisations given by the Board in respect of such actual/ potential conflicts of interests are for an indefinite period, but the Board retains the power to vary or terminate the authorisation at any time. The Board believes that this system operates effectively.

The Board believes in equal opportunities and applies fair and equitable employment practices. Our Code of Conduct states that all employees should be treated with respect and that their health, safety and basic human rights should be protected. All our colleagues are required to adhere to our Anti-bribery and Corruption policy.

Principle 4 – Opportunity and Risk

The Board seeks out opportunity whilst mitigating risk. The Company produces a corporate plan which includes identified risks and opportunities. The time limited structure of the NRC however mitigates against long term value excepting that delivery of good results and performance is important in securing future management contracts. Risk appetite is set at Group level and is monitored in aggregate for operating companies. Risk tolerance is advised to operating companies and is included in the Group's annual report.

Ultimate accountability for risk identification and management lies with the Company's Chief Executive Officer, supported by all other directors on the Board. The Head of Internal Audit and Compliance co-ordinates a quarterly review and update of the corporate risk register for board approval.

The assessment of principal and emerging risks is embedded within the day-to-day operations of the Company. Such assessments are consolidated and reviewed as part of periodic board reporting and reported to the Group. As part of this reporting process, risk reports are completed which outline the key principal and emerging risks facing the Company, provide an explanation of the procedures in place to mitigate and manage such risks and prioritise the most important risks from a residual risk perspective. These reports are then discussed with the Group executive directors at quarterly Board meetings with discussion focused on the most important risk and control areas within the business.

A summary of the Company's principal risks and mitigations are outlined in the Strategic report.

Principle 5 – Remuneration

Remuneration arrangements are based on the principles that reward should be sufficient to attract and retain high calibre directors, senior management and the wider workforce. As a principle, all salaries, benefits, pensions and other elements of remuneration are benchmarked regularly to ensure they remain competitive in the markets in which GTR operates.

For the Group's Chief Executive Officer, Chief Finance Officer and Chief Operating Officer, remuneration is determined by the Group Board in line with the Group's Senior Management Remuneration Policy. Remuneration is structured to support both the financial objectives and the strategic priorities of the Group in a manner which is aligned with shareholders' and stakeholders' long-term interests. Directors' remuneration is disclosed within note six of the financial statements.

Senior management and administrative roles received back-dated pay awards for 2021/22 and 2022/23 in line with other public sector workers in January 2023. Remuneration for the wider workforce such as drivers, station and workshop and cleaning staff at depots is under discussion with relevant trade unions led by industry group RDG. This process is on hold while the Rail Delivery Group seeks resolution to the current disputes. Per NRC contracts, DfT approval is required for all pay increases, bonus payments and discretionary benefits. Bonus payments and most discretionary benefits are currently suspended.

Following a review of Gender Pay Reporting in the previous financial year, the Board made changes to the Company's recruitment process to attract a more diverse range of applicants, supporting network groups and training for all managers on how to address unconscious bias.

Principle 6 – Stakeholder Relationships and Engagement

The Board is clear that good governance and effective communication are essential on a day-to-day basis to deliver our vision and protect the Company's brand, reputation and relationships with all our stakeholders.

A full commentary on the Company's stakeholder engagement is contained in the S172 statement as part of the Strategic report.

Directors' report

For the year ended 31 March 2023

The directors present their Annual Report and Audited Financial Statements for the year ended 31 March 2023.

The Company, in accordance with section 414C(11) of the Companies Act 2006, has set out in the Company's strategic report the following which the directors believe to be of strategic importance:

- Streamlined energy and carbon reporting; and
- Financial risk management objectives and policies.

Dividends

In October 2022, following permission given by the Department for Transport and Board approval, the Company made a dividend payment of £16.9m to its shareholders. Following a similar approval and internal governance process, further dividends amounting to £62.3m were distributed to the immediate shareholder in July 2023.

Management and staff

The Company is committed to involving all employees in its performance and development. Employees are encouraged to discuss with management matters of interest to the employees and subjects affecting the day-to-day operations of the Company. The Company recognises that increasing the level of employee engagement with the Company's objectives can increase motivation and performance and invests in programmes to measure and develop engagement.

For details on how the directors have engaged with employees, had regard to their interests and the effect of that regard including on principal decisions made by the directors, please see our section 172 statement within the Strategic Report and our stakeholder engagement and principal decisions disclosures that follow it.

Following the acquisition of The Go-Ahead Group Limited's entire issued share capital by Gerrard Investment Bidco Limited, and the subsequent delisting of the Group's equity shares in October 2022, the Group's share schemes were closed (see notes 23 and 25).

Discussions take place regularly with trade unions representing the employees on a wide range of issues.

The Company believes in equal opportunities regardless of gender, age, religion or belief, sexual orientation, race and, where practicable, disability. This approach is underpinned by a commitment to providing equal opportunities to current and potential employees and applying fair and equitable employment practices. The Company gives full and fair consideration to job applications from people with disabilities, considering their skills and abilities. In respect of existing colleagues who may become disabled, the Company's policy is to provide continuing employment, training and career development.

Stakeholder interests

A summary of how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the Company's principal decisions, is set out in the stakeholder engagement section of the strategic report.

Corporate governance arrangements

The Company's statement of corporate governance arrangements is included within the Corporate Governance Report and is incorporated by reference into this Directors' Report.

Going Concern

The Company's business activities, together with factors likely to affect its future development, its financial position and financial risk management objectives and policies are described in the Strategic report.

On 25 March 2022 the Department for Transport (DfT) awarded the Company a National Rail Contract (NRC) to continue operating the Thameslink, Gatwick Express, Southern and Great Northern rail services, the UK's largest railway network. The new contract commenced on 1 April 2022 and will run until at least 1 April 2025, and will continue thereafter to March 2028 at the Secretary of State's discretion. The NRC is a management contract which has limited exposure to changes in passenger demand. There is cost risk to the Company, but this risk is managed through the Company's internal processes and controls. Disallowable expenditure, based on current and historical trends, is forecast at less than £1m per financial year. The Board and management team of GTR will continue to employ robust cost control measures to prevent any significant disallowable costs being incurred.

The NRC sets out the deliverables required by the DfT from the Company over the contract term. The NRC includes a large number of performance measures and deliverables spread across the business that need to be met to avoid contractual default. A specialist Contract Compliance Team is in place within the Company to ensure NRC deliverables are met within the timescales set out by the DfT. As a result of the NRC being in place, the Company is somewhat insulated from the economic impacts of passenger travelling trends, industrial action and cost inflation. The Company earns a fixed management fee, performance-based fee and industry reform fee for specific Industry Change Projects ("ICPs") during the NRC period which gives reasonable certainty on the Company's financial results. Whilst there is uncertainty over the final amounts to be received for the performance-based fee and industry reform fee, the management fee is sufficient to mitigate GTR's cost risk under normal trading conditions. During the first year and second year to date of the NRC contract the Board and management has successfully mitigated the risks in the contract and achieved a sustainable level of profit.

The directors have considered the going concern assumptions as a result of these events and accordingly, the financial statements have been prepared on a going concern basis. As part of this assessment, the directors considered a number of forecast sensitivities inherent within the NRC contract including the performance-based fee, the risk of incurring disallowable expenditure, the risk of exceeding the cost budget agreed within the contract, the DfT making a claim against the Company, additional regulatory obligations and revenue foregone. None of the conclusions suggested the financial statements should not be prepared on a going concern basis. The directors have, based on their assessment of the prospects and going concern of the Company, concluded that they have a reasonable expectation that the Company will be able to continue in operation and meet all of its liabilities as they fall due during the going concern period.

Accordingly, the directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Events subsequent to the end of the year

Since 31 March 2023 there have been the following significant events.

- Station Workforce Reform: On 5 July, GTR launched a public consultation to consider plans to move more colleagues from ticket offices and into other stations area, to help more customers. The public consultation closed on 1 September. GTR carried out the public consultation after receiving a mandate from the Government to look at modernising the railways. The public consultation has helped customers and external stakeholders offer their views and opinions on our proposals.

- Litigation: There have been further developments after the year end in both the Boundary Fare Zone proceedings against GTR and others and the Pricing practices proceedings against GTR and others, for which more detail is provided in note 26 Contingent liabilities. The provision for legal costs has been updated accordingly and is reflected in the provisions at note 18.

- PBF confirmed scores on scorecard (SCR) measures related to FY23: the DfT confirmed the SCR scores element of PBF related to FY23 in a letter dated 15 September. These scores were more favourable than previously assumed and the consequent improvement in PBF is reflected in profit for the year.

- Revenue QTM: the DfT has proposed, from 17 September 2023 (start of Period 7) onwards, to move GTR from a scorecard methodology to a quantified target methodology (QTM) for the revenue element of the performance-based fee (PBF). This has been called a Revenue Outturn Mechanism (ROM) by the Department. There have been ongoing discussions between GTR, owning groups and the DfT to refine both the methodology for how the regime will work and the proposed targets. After the year-end, GTR's shareholder and its board reached agreement with the DfT to enter into the regime from 17 Sep 2023. The Mechanism carries the potential to generate upside to the current PBF regime as well as downside in the case of reducing revenues, both of which are capped under the agreement.

Dividends paid after the year end are disclosed in note 10.

For further details please also refer to note 29 Post-balance sheet events.

Directors' indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against the directors. The Company has also granted indemnities to each of its directors and the Company Secretary which represent "qualifying third party indemnity provisions" (as defined by section 234 of the Companies Act 2006), in relation to certain losses and liabilities which the directors (or Company Secretary) may incur to third parties in the course of acting as directors (or Company Secretary) or employees of the Company or of any associated Company.

Directors of the company

Except as noted, the directors who served the Company during the year, and up to the date of signing the financial statements, were as follows:

M R Dean (resigned 1 April 2022)
A J F Gordon (resigned 13 April 2022)
I McLaren (resigned 23 May 2022)
B D M Tabary (resigned 1 July 2022)
C Schreyer (resigned 31 October 2023)

I Grose (appointed 1 November 2023)
H Verwer
A Doll (appointed 17 June 2022)
L Francis (appointed 9 May 2022)
D Lavelle (appointed 1 April 2022)
V Merle (appointed 1 July 2022)
S Mussenden (appointed 9 May 2022, resigned 31 December 2022)

I Grose is a director of The Go-Ahead Group Limited. C Schreyer was a director of The Go-Ahead Group Limited. S Mussenden was also a director of the parent company in the year.

Directors' statement as to disclosure of information to the auditor

The directors who were members of the Board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (this is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

This statement is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Auditor

Following an audit tendering process, Deloitte LLP resigned as auditor with effect from May 2023. A resolution to appoint MHA was approved by the Board and the Group in June 2023. MHA have expressed their willingness to continue as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Registered office:

3rd Floor
41 - 51 Grey Street
Newcastle upon Tyne
NE1 6EE
United Kingdom

The Directors' report was approved by the Board of Directors on 13 December 2023 and signed on their behalf by

Hendrikus Verwer
Director
13 December 2023

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 the profit or loss of the Company for that year.

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report
to the members of Govia Thameslink Railway Limited

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Govia Thameslink Railway Limited (the 'Company') for the year ended 31 March 2023 which comprise the Income statement, Statement of comprehensive income, Statement of changes in equity, Balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the company's financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice). In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going basis of accounting in the preparation of the financial statements is appropriate.
Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Company's operations and specifically its business model, and an evaluation of how those risks might impact on the Company's available financial resources;
- Obtaining the Directors' going concern assessment, including the underlying cash flow forecast used for the assessment;
- Assessing the reasonableness and appropriateness of the method and assumptions used to calculate the cash flow forecast in the base case scenario by comparing to historic results;
- Checking the consistency of the factors and assumptions adopted in the going concern assessment with other areas of our audit, including corroborating the existence of government funding to signed agreements;
- Procedures to assess compliance with the terms of the National Rail Contract (NRC), including enquiries with the Department for Transport (DfT) for suspicion or evidence of non-compliance;
- Assessing evidence that may contradict the conclusions drawn in management's evaluation; and
- Evaluating the appropriateness of management's disclosures in the Annual Report and financial statements.

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

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this

Independent auditor's report *(continued)*

to the members of Govia Thameslink Railway Limited

other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Enquiry of management, those charged with governance and legal advisors around actual and potential litigation and claims;
- Enquiry of entity staff in compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;

Independent auditor's report *(continued)*
to the members of Govia Thameslink Railway Limited

- We considered the nature of the industry,the key laws and regulatory environment in which the company operates. We identified the potential for bias in applying judgement in classification of expenses as allowable under the terms of the NRC to have the greatest potential for fraud or non-compliance. Our procedures to address this risk included:
    - Testing a sample of allowable and disallowable expenses to assess the accuracy of classification
    - Evaluate the reasonableness of reporting submissions to the DfT
    - Hold direct enquiries with the DfT to ascertain if any beaches or suspicion of breaches had been identified
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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

Andrew Moyser

Andrew Moyser FCA FCCA
(Senior Statutory Auditor)
for and on behalf of MHA, Statutory Auditor
London, United Kingdom
13 December 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Govia Thameslink Railway Limited

Income statement

for the year ended 31 March 2023

	Notes	Year ended 31 March 2023 £'000	Period ended 31 March 2022* £'000
Revenue	3	1,661,361	1,272,134
Operating costs	4	(1,628,140)	(1,248,874)
Operating profit before exceptional items		33,221	23,260
Exceptional operating costs	4	(1,070)	-
Operating profit after exceptional items		32,151	23,260
Interest receivable and similar income	7	720	220
Interest payable and similar expenses	8	(18,801)	(1,588)
Profit before taxation		14,070	21,892
Tax on profit	9	(2,642)	(3,217)
Profit for the year/period from continuing operations		11,428	18,675

Operating activities from continuing operations comprise operation of the Thameslink and Great Northern routes and the operation of Southern and Gatwick Express routes.

* Restated – see note 28

Govia Thameslink Railway Limited

Statement of comprehensive income

for the year ended 31 March 2023

	Year ended 31 March 2023	*Period ended 31 March 2022*
	£'000	*£'000*
Profit for the year/period from continuing operations	11,428	18,675
Total comprehensive income for the year/period	11,428	18,675

Statement of changes in equity

for the year ended 31 March 2023

	Share capital	*Retained earnings*	*Total Equity*
	£'000	*£'000*	*£'000*
At 3 July 2021	5,000	64,104	69,104
Profit and total comprehensive income for the period	-	18,675	18,675
Share based payments (note 23)	-	50	50
Equity dividends paid (note 10)	-	-	-
At 31 March 2022	5,000	82,829	87,829
Profit and total comprehensive income for the year	-	11,428	11,428
Share based payments (note 23)	-	(591)	(591)
Equity dividends paid (note 10)	-	(16,912)	(16,912)
At 31 March 2023	5,000	76,754	81,754

Govia Thameslink Railway Limited
Registered No: **07934306**

Balance sheet

at 31 March 2023

	Notes	*31 March 2023 £'000*	*31 March 2022* £'000*
Assets			
Non-current assets			
Intangible assets	11	-	-
Plant, property and equipment	12	-	-
Right of use assets	13	587,399	357,531
Finance lease receivables	14	3,771	6,753
Deferred tax assets	9	4,977	5,766
		596,147	370,050
Current assets			
Inventories	15	5,349	5,979
Trade and other receivables	16	350,694	230,540
Finance lease receivables	14	3,269	3,674
Cash and cash equivalents	24 & 27	66,640	173,186
		425,952	413,379
Total assets		**1,022,099**	**783,429**
Liabilities			
Current liabilities			
Trade and other payables	17	(268,794)	(248,799)
Lease liabilities	13	(282,939)	(125,393)
Current tax liabilities	9	(3,483)	(5,178)
Provisions	18	(71,599)	(69,519)
		(626,815)	(448,889)
Non-current liabilities			
Lease liabilities	13	(298,436)	(242,632)
Provisions	18	(15,094)	(4,079)
		(313,530)	(246,711)
Total liabilities		**(940,345)**	**(695,600)**
Net current liabilities		*(200,863)*	*(35,510)*
Total assets less current liabilities		*395,284*	*334,540*
Net assets		**81,754**	**87,829**
Capital and reserves			
Share capital	22	5,000	5,000
Retained earnings	22	76,754	82,829
Total equity		**81,754**	**87,829**

* Restated – see note 28.

The financial statements were approved by the Board of Directors and authorised for issue on 13 December 2023 and signed on their behalf by:

Hendrikus Verwer, Director

1. Authorisation of financial statements and statement of compliance with FRS 101

These financial statements of Govia Thameslink Railway Limited (the "Company") for the year ended 31 March 2023 were authorised for issue by the Board of Directors on 13 December 2023 and the balance sheet was signed on the Board's behalf by Hendrikus Verwer. The prior period was for the 9-month period ended 31 March 2022. The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Principal accounting policies adopted by the Company are set out in note 2. They have been applied consistently throughout the year and the prior period unless otherwise stated.

2. Accounting policies

2.1 Basis of preparation

This note details the accounting policies which have been applied in the financial statements. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted for use in the United Kingdom ("UK-adopted IFRS") but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has taken advantage of the exemption provided under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company's ultimate parent undertaking, Gerrard Investment Topco Limited, includes the Company in its consolidated financial statements. The Company's results are also included in the consolidated financial statements of The Go-Ahead Group Limited, an intermediate parent undertaking of the Company. The consolidated financial statements of both Gerrard Investment Topco Limited and The Go-Ahead Group Ltd are prepared in accordance with International Financial Reporting Standards. Both sets of accounts will be made available to the public and obtainable from Companies House, Cardiff.

The financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at fair value as explained in the accounting policies below. The financial statements are presented in pounds sterling which is also the functional currency of the Company and all values are rounded to the nearest thousand (£'000) except when otherwise indicated. The comparative period represented only 9 months against a current twelve-month period hence amounts presented may not be entirely comparable.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures and standards:

- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
- the requirements of paragraphs 10(d), 111 and 134 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based payments*;
- the requirements of paragraphs 134 (d)-(f) and 135(c)-(e) of IAS 36 *Impairment of Assets*;

2. Accounting policies *(continued)*

2.1 Basis of preparation (continued)

- the requirements of paragraphs 110 (2nd sentence), 113(a), 114, 115, 118, 119(a)-119(c), 120-127 and 129 of IFRS 15 Revenue from Contracts with Customers; and
- the requirements of paragraph 52, 89 (2nd sentence), 90, 91 and 93 of IFRS 16 Leases and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Going Concern
The Company's business activities, together with factors likely to affect its future development, its financial position and financial risk management objectives and policies are described in the Strategic report.

On 25 March 2022 the Department for Transport (DfT) awarded the Company a National Rail Contract (NRC) to continue operating the Thameslink, Gatwick Express, Southern and Great Northern rail services, the UK's largest railway network. The new contract commenced on 1 April 2022 and will run until at least 1 April 2025, and will continue thereafter to March 2028 at the Secretary of State's discretion. The NRC is a management contract which has limited exposure to changes in passenger demand. There is cost risk to the Company, but this risk is managed through the Company's internal processes and controls. Disallowable expenditure, based on current and historical trends, is estimated at less than £1m per financial year. The Board and management team of GTR will continue to employ robust cost control measures to prevent any significant disallowable costs being incurred.

The NRC sets out the deliverables required by the DfT from the Company over the contract term. The NRC includes a large number of performance measures and deliverables spread across the business that need to be met to avoid contractual default. A specialist Contract Compliance Team is in place within the Company to ensure NRC deliverables are met within the timescales set out by the DfT. As a result of the NRC being in place, the Company is somewhat insulated from the economic impacts of passenger travelling trends, industrial action and cost inflation. The Company earns a fixed management fee, performance-based fee and industry reform fee for specific Industry Change Projects ("ICPs") during the NRC period which gives reasonable certainty on the Company's financial results. Whilst there is uncertainty over the final amounts to be received for the performance-based fee and industry reform fee, the management fee is sufficient to mitigate GTR's cost risk under normal trading conditions. During the first year and second year to date of the NRC contract, the Board and management has successfully mitigated the risks in the contract and achieved a sustainable level of profit.

The directors have considered the going concern assumptions as a result of these events and accordingly, the financial statements have been prepared on a going concern basis. As part of this assessment, the directors considered a number of forecast sensitivities inherent within the NRC contract including the performance-based fee, the risk of incurring disallowable expenditure, the risk of exceeding the cost budget agreed within the contract, the DfT making a claim against the Company, additional regulatory obligations and revenue foregone. None of the conclusions suggested the financial statements should not be prepared on a going concern basis. The directors have, based on their assessment of the prospects and going concern of the Company, concluded that they have a reasonable expectation that the Company will be able to continue in operation and meet all of its liabilities as they fall due during the going concern period.

Accordingly, the directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

2. Accounting policies *(continued)*

New standards
The following new standards or interpretations are mandatory for the first time for the year ended 31 March 2023:

- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendment to IAS 16 Property, Plant, and Equipment – Proceeds before Intended Use
- Amendment to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

Adoption of the standards and interpretations had no material impact on the Company's financial position or related performance.

2.2 Critical judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the Company's accounting policies
The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Accounting for the Railways Pension Scheme (RPS)
The Company participates in the Railways Pension Scheme (RPS), a defined benefit pension scheme which covers the whole of the UK rail industry. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme which means that costs are formally shared between the employer and employee at 60% and 40% respectively. The Company only recognises amounts in relation to its share of costs in the income statement. The RPS is partitioned into sections and the Company is responsible for the funding of these sections whilst it operates the relevant franchise. At the end of the franchise term, responsibility for the funding, and consequently any deficit or surplus existing at that date, is passed to the next franchisee. At each balance sheet date, a franchise adjustment is recognised to the IAS 19 net pension asset or liability to reflect that portion expected to pass to the next franchisee.

The directors view this arrangement as synonymous to the circumstances described in paragraphs 92–94 of IAS 19 Employee Benefits (Revised), with a third party taking on the obligation for future contributions. As there is no requirement to make contributions to fund the current deficit, then it is assumed that all of the current deficit will be funded by another party and hence none of the deficit is attributable to the current franchisee. In respect of the future service costs, there is currently no pension obligation in respect of those costs. When the costs are recognised in the income statement, the extent to which the committed contributions fall short determines the amount that is to be covered by contributions of another party in the future, which is recognised as an adjustment to service costs in the income statement. As a result, any portion of service costs not expected to be covered by contributions paid during the franchise but expected to transfer at the end of the franchise is treated as an adjustment to the income statement.

Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement.

The directors deem this to be the most appropriate interpretation of IAS 19 to reflect the specific circumstances of the RPS where the franchise commitment is only to pay contributions during the period in which the Company runs the franchise. An alternative approach would involve not limiting the measurement of the service cost through the recognition of an income statement franchise adjustment, but recognising all movements on the franchise

2. Accounting policies *(continued)*

2.2 Critical judgements and key sources of estimation uncertainty (continued)

adjustment as a movement in a reimbursement right in other comprehensive income. For the year ended 31 March 2023 the impact of this alternative treatment, on a post-tax basis, would be an increase in costs of £12.2m (2022: increase of £12.2m) to the income statement and a credit to other comprehensive income of £390.5m (2022: debit of £348.8m). Since the franchise contract only refers to the contribution requirements during the franchise term, and not any reimbursement rights, the directors consider that viewing the treatment as contribution sharing with the next franchisee is most appropriate.

Contract and franchise accounting
The commercial entities in the UK rail industry were created at the time of privatisation and the relationships between them are governed by a number of contracts between the major participants, the DfT, Network Rail and train operating companies. These contracts include detailed performance regimes which determine the allocation of financial responsibility relating to the attribution of delays. The processes for attribution, whilst well understood, require detailed assessment and can take significant time to resolve, particularly in unusual circumstances.

The useful economic lives of assets (Right of use assets and finance lease receivable capitalised under IFRS 16) within the Train Operating Companies (TOCs) are determined by reference to the length of the franchise and are matched to the contractual franchise end date. The residual value of assets is determined by their condition at the franchise end date and by the level of maintenance that has been undertaken during the period of operation.

The Company makes provisions for income and costs relating to performance regimes and contractual obligations relating to operating delays caused by Network Rail or caused by our own operating companies. This process is based primarily on previous experience of settling such claims, or in certain circumstances, based on management's view of the most likely outcome of individual claims. The Company has significant internal expertise to assess and manage these aspects of the agreements and the issues relating to delay attribution to enable management to assess the most probable outcomes; nonetheless significant judgements are required, which can have material impacts on the financial statements.

Accordingly, judgements in these and other areas are made on a continuing basis with regard to amounts due and the recoverable carrying value of related assets and liabilities arising from franchises and other contracts. Regular reviews are performed on the expected outcome of these arrangements, which require assessments and judgements relating to the expected level of revenues and costs. Please refer to note 26 for details of contingent liabilities relating to these judgements and estimations.

The measurement of franchise commitments, comprising dilapidation provisions on rolling stock, depots and stations is set out in notes 18 and 26. Significant elements of the provisions required are subject to interpretation of franchise agreements and rolling stock agreements. The Company has significant internal expertise to assess and manage these aspects of the agreements and to enable management to assess the most probable outcomes. Where appropriate, and specifically in assessing dilapidation provisions, this process is supported by valuations from professional external advisors to support provision levels. Sensitivity analysis with respect to franchise commitments is provided in note 18.

Key sources of estimation uncertainty
The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

Pre-Emergency Measures Agreement (EMA) settlements

For the year ended 31 March 2023, provisions are being held relating to dilapidations which will be settled at the end of the NRC. These will constitute pre-EMA settlements and are explained in detail in note 18.

2. Accounting policies *(continued)*

2.3 Significant accounting policies

Revenue Recognition
The revenue of the Company mainly comprises income from rail passenger transport. The Company has a number of revenue streams which consist of revenue from passengers, contracts, franchise subsidies as well as other miscellaneous revenue streams. Revenue is recognised on satisfaction of performance obligations. Revenue is measured at the fair value of the consideration received or receivable, (excluding discounts, rebates, VAT and other sales taxes or duty) to which the Company expects to be entitled to and excludes amounts collected on behalf of third parties.

An explanation of the main revenue streams is set out below:

Passenger revenue
Passenger revenue mainly relates to revenue from rail ticket sales.

Revenue comprises amounts based principally on agreed models of route usage, by Railway Settlement Plan Limited (which administers the income allocation system within the UK rail industry), in respect of passenger receipts and other related services such as rolling stock maintenance and commission on tickets sold. Passenger revenue is collected and remitted to the DfT net of management charges payable by the DfT as revenue. In accordance with the Company's franchise agreement and IFRS 15 Revenue from Contracts with Customers, passenger revenue is regarded as income and an expense is recognised for the net amount paid to the DfT. Over their lifetime, the Company may switch between being in a 'premium' position (when the amounts payable to the DfT exceed the amounts received from them) and being in a 'subsidy' position (when the amounts received from the DfT exceed the amounts paid to them). When the Company is in a subsidy position subsidy revenue is recognised, in addition to passenger revenue.

Passenger revenue is recognised by reference to the stage of completion of the customer's journey or for other services based on the proportion of services provided. The attributable share of season ticket or travel card income is deferred within liabilities and released to the income statement over the life of the relevant season ticket or travel card.

Delay Repay is a national scheme that train companies use to compensate customers for unexpected delays and cancellations. Where the customer arrives 15 minutes or more late at their destination because of a delay or cancellation to a GTR service, the customer can claim Delay Repay compensation. The amount of compensation the customer is entitled to depends on the length of delay and ticket type. Delay Repay compensation is offset against Passenger revenue in the period to which it relates.

Other revenue
Other revenue mainly relates to revenue for ancillary services to other rail passenger service providers, for services such as maintenance and cleaning. Other revenue is recognised in the period to which it relates. Other revenue also includes rental income which is generated from rental of surplus properties and subleasing of rolling stock and railway infrastructure access. Other revenue is recognised in the period to which it relates, for the transaction price specified in the contract.

Franchise subsidy
Franchise subsidy revenue comprises revenue from the relevant local transport authorities which are recognised under the terms of the franchise agreements. The franchise agreements include minimum specifications of passenger services to be provided by the operator, which is determined to be the performance obligation within the contract. Franchise premium payments to the DfT, for amounts due under the terms of the Company, are recognised in operating costs.

The NRC transferred substantially all revenue and cost risk to the Government. The Company is paid a management fee to continue running a revised National Rail timetable across the UK. Net NRC funding, including the management fee, is recognised as franchise subsidy within revenue. For the duration of the NRC, the performance payment is assessed through a review process, which awards rail franchisees with a score of 1, 2 or 3 against four criteria over the entire term of the NRC in areas of operational performance, customer experience, collaboration and acting as a 'good and efficient operator'. The performance payment is recognised in accordance

2. Accounting policies *(continued)*

2.3 Significant accounting policies (continued)

Revenue Recognition (continued)

Franchise subsidy (continued)

with IFRS 15 paragraph 56 only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The most likely method is applied in estimating the variable consideration.

All franchise subsidies are recognised in the period to which they relate.

Interest receivable and similar income

Interest on deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest payable and similar expenses

Debt is initially stated at the amount of the net proceeds, being the fair value of the consideration received after deduction of issue costs. Following initial recognition, the carrying amount is measured at amortised cost using the effective interest method. Amortisation of liabilities and any gains and losses arising on the repurchase, settlement or other derecognition of debt are recognised directly in the income statement. Issue costs relating to any term extensions are offset against the proceeds and amortised over the life of the extension.

Intangible fixed assets

Software costs, that are not integral to the related hardware, are capitalised as an intangible asset and stated at cost less amortisation and any impairment in value. Amortisation is charged to the income statement evenly over its expected useful life of three years.

Plant, property and equipment

Plant, property and equipment are stated at cost, or deemed cost, less accumulated depreciation, any impairment in value and any residual value. Freehold land is not depreciated.

Residual values and useful economic lives are reviewed annually. Where there is a contract end date, useful economic lives are based on this, not including any possible extensions not yet confirmed. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal and over their expected useful life on a straight-line basis as follows:

Plant & equipment - 1 to 7 years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists the assets are written down to their recoverable amount, being the higher of value in use or fair value less costs of disposal. Any impairment in value is recognised immediately in the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Cost comprises direct materials and costs incurred in bringing the items to their present location and condition. Net realisable value represents the estimated selling price less costs of sale. Inventories are calculated using the first in first out method (FIFO).

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less from inception.

2. Accounting policies *(continued)*

2.3 Significant accounting policies (continued)

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences except on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Leases

Lease identification

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right of use asset

Right of use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease. The right of use assets are subsequently depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The lease term includes the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written-off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised. In addition, the right of use asset is periodically reduced by impairment losses, if applicable, and adjusted for certain remeasurements of the lease liability.

Lease liability

At the commencement date of the lease, the lease liability is initially measured at the present value of lease payments to be made over the lease term with payments discounted at the rate implicit in the lease or, where that cannot be measured, at the Company's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid by the Company under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Company is reasonably certain to exercise that option. Payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate the lease, are also included.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect the lease payments made. Interest is charged at a constant rate on the carrying amount of the lease liability.

2. Accounting policies *(continued)*

2.3 Significant accounting policies (continued)
Leases (continued)
Finance Lease Receivable
At the commencement date, the Company recognises assets held under a finance lease in its Balance Sheet and presents them as a receivable at an amount equal to the net investment in the lease. The Company uses the interest rate implicit in the lease to measure the net investment in the lease. In the case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, the Company uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease. Initial indirect costs are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term.

The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives payable, variable lease payments that depend on an index or a rate, any residual value guarantees provided to the Company by the lessee, a party related to the lessee or a third party unrelated to the Company that is financially capable of discharging the obligations under the guarantee. The lease payments also include the exercise price of a purchase option if the lessee is reasonably certain to exercise that option. Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease, are also included.

The Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease and applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The Company regularly reviews the estimated unguaranteed residual values used in computing the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, the Company revises the income allocation over the lease term and recognises immediately any reduction in respect of amounts accrued.

All Finance Lease Receivable relates to trains sub-leased to SE Trains Limited. The risk is managed through contracts countersigned by the DfT.

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

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

Short term and low value asset leases
The Company has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of less than 12 months and leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Retirement benefits
The Company participates in the Railways Pensions Scheme (RPS), which is an industry-wide defined benefit scheme. The Company is obligated to fund the relevant section of the scheme over the period for which the franchise is held.

All the costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. In addition, at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Company's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates the franchise, these

2. Accounting policies *(continued)*

2.3 Significant accounting policies (continued)

contributions being subject to change on consideration of future statutory valuations. The net liability reflects the Company's obligation to fund the statutory deficits of the relevant RPS sections over the franchise term.

The last statutory valuation of the RPS scheme sections in which the Company is involved, carried out on 31 December 2016, and its IAS 19 actuarial valuation are carried out for different purposes and may result in materially different amounts. There are ongoing funding deficits across the RPS schemes in which the Company participates and the IAS 19 valuation is set out in the disclosures below.

The accounting treatment for the time-based risk-sharing feature of the Company's participation in the RPS is not explicitly considered by IAS 19 Employee Benefits (Revised). Since the contributions currently committed to being paid to each TOC section are lower than the share of the service cost (for current and future service) than would normally be calculated under IAS 19 Employee Benefits (Revised), the Company does not account for uncommitted contributions towards the section's current or expected future deficits. This reflects the legal position that some of the existing deficit and some of the service costs in the current period will be funded in future years beyond the term of the current franchise and committed contributions. As a result, the Company consequently reduces any section deficit balance and reduces any service costs that would give rise to an increase in such deficit through the use of a franchise adjustment. The franchise adjustment reflects the extent to which third parties are expected to contribute towards the cost of the plan as a consequence of the deficit transferring at the end of the franchise, which is deemed, in the directors' view, in line with paragraphs 92–94 of IAS 19 Employee Benefits (Revised). Under circumstances where contributions are renegotiated, for example, following a statutory valuation, an adjustment will be recognised in the income statement, whilst changes in actuarial assumptions continue to be recognised through the statement of other comprehensive income.

Provisions

Provisions are recognised when the Company has a present legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. The discount rate also reflects the current market assessments of the time value of money.

The Company provides for property, station and fleet dilapidations, where appropriate, based on the future expected repair costs required to restore them to their fair condition at the end of their respective lease terms, where it is considered a reliable estimate can be made. The Company also provides for penalties where appropriate.

A provision is recognised in the balance sheet for any contract that is onerous. A contract is considered onerous where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the lease net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Determining the amount of an onerous contract provision may involve forecasting future financial performance. The amount of any onerous contract provision is re-assessed at each balance sheet date. Any increase or decrease required to the amount of the provision is charged or credited to the income statement.

Uninsured liabilities

The Company limits its exposure to the cost of motor and other assets, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss, for total claims within the excess limits. A discounted provision is recognised for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company by the insurer.

Provisions are accounted for on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

2. Accounting policies *(continued)*

2.3 Significant accounting policies (continued)

Financial instruments

Financial assets
The Company's financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss in the income statement, directly attributable transaction costs. Financial assets are subsequently classified as being measured at amortised cost, fair value through other comprehensive income, or fair value through the income statement.

The Company's financial assets at amortised cost are non-derivative financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Company does not have any financial assets held at fair value through the income statement.

The Company does not have any financial assets held at fair value through other comprehensive income.

The Company uses an impairment model with impairment provisions based on expected credit losses. The Company applies the IFRS 9 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date for trade receivables, contract assets, accrued income and lease receivables using a provision matrix based on the Company's historical credit loss experience. The loss allowance on the receivables from central government is measured at an amount equal to 12-months' expected credit losses because these assets have a low credit risk at the reporting date.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk (such as changes to credit ratings) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

For the purposes of impairment assessment, receivables from governments are considered to be low risk as a result of the ability of governments to meet contractual cashflows.

Trade receivables, amounts recoverable on contracts and accrued income are written-off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written-off are credited against the same line item.

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities
The Company's financial liabilities include trade payables, accruals, interest-bearing loans and borrowings. At initial recognition, the Company measures financial liabilities at fair value plus, in the case of a financial liability not at fair value through the income statement, transaction costs that are directly attributable to the issue of the financial liability. All other financial liabilities are subsequently measured on an amortised costs basis under the effective interest method.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

2. Accounting policies *(continued)*

2.3 Significant accounting policies (continued)

Share based payment transactions

The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group Ltd (market conditions); conditions not related to performance or service (non-vesting conditions); performance conditions (a vesting condition); and service conditions (a vesting condition).

The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. As these relate to shares of The Go-Ahead Group Ltd when the awards are vested the amounts are recharged from the Group.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

Exceptional operating items

In certain years the Company presents as exceptional operating items, on the face of the income statement, material items of income or expense which, because of the size, nature or expected infrequency of the events giving rise to them, merit separate presentation to allow an alternative understanding of financial performance. The determination of whether items merit presentation as exceptional in a particular year is therefore a matter of judgement. For further details see note 4.

3. Revenue

Revenue recognised in the income statement is analysed by class of business as follows:

	Year ended 31 March 2023 *£'000*	*9-month period ended 31 March 2022** *£'000*
Passenger Revenue	1,222,457	667,112
Subsidy Revenue	284,166	488,154
Other Revenue	154,738	116,868
	1,661,361	1,272,134

Since 1 March 2020, when the DfT awarded the Company an EMA contract and then subsequently an ERMA contract and an NRC contract, the Company has switched from a 'premium' to a 'subsidy' position. See the passenger revenue accounting policy note for further detail.

All trading activities of the Company take place within the United Kingdom, and as such, the total revenues generated by the Company in both the current and prior financial periods are attributable in whole to the United Kingdom.

* Restated – see note 28

4. Operating costs

	Year ended 31 March 2023		*9-month period ended 31 March 2022**	
	£'000	*£'000*	*£'000*	*£'000*
Staff costs (note 5)		496,236		348,028
Rail operating charges				
- rail access	434,585		337,047	
- vehicle and rolling stock	29,661		20,222	
Total rail operating charges		464,246		357,269
Auditor's remuneration				
- audit fee for the audit of the financial statements	600		648	
- non-audit services	50		133	
Total auditor's remuneration		650		781
Amortisation of intangible assets		-		1
Depreciation of plant, property and equipment		-		7,688
Depreciation of right of use assets		293,040		229,766
Other operating costs		373,968		305,341
Total operating costs		1,628,140		1,248,874
Costs of restructuring	1,070		-	
Exceptional costs		1,070		-

The Company holds agreements with Network Rail for access to the railway infrastructure (track, stations and depots). These are classified as rail operating charges as they do not constitute a right of use asset.

The majority of other operating costs relate to railway infrastructure costs, including track, depot and station access and costs of electrification.

Exceptional costs relate to amounts payable to the DfT as a result of triggering contractual payments under the NRC following the change in group ownership.

* Restated – see note 28

5. Staff costs and numbers

	Year ended 31 March 2023 £'000	*9-month period ended 31 March 2022 £'000*
Wages and salaries	422,725	296,849
Social security costs	48,197	31,629
Pension costs (note 19)	25,500	19,500
Share based payments (note 23)	(186)	50
	496,236	348,028

The average number of employees during the period was as follows:

	Year ended 31 March 2023 No.	*9-month period ended 31 March 2022 No.*
Administration and supervision	1,407	1,389
Maintenance and engineering	609	718
Operations	5,420	5,426
	7,436	7,533

6. Directors' remuneration

	Year ended 31 March 2023 £'000	*9-month period ended 31 March 2022 £'000*
Aggregate emoluments in respect of qualifying services	1,084	692

	Year ended 31 March 2023 No.	*9-month period ended 31 March 2022 No.*
Number of directors accruing benefits under defined benefit schemes	-	-
Number of directors who exercised share options	1	-

The amounts in respect of the highest paid director are as follows:

	Year ended 31 March 2023 £'000	*9-month period ended 31 March 2022 £'000*
Emoluments	671	354

Included within Emoluments, the Company contributed £nil (2022: £nil) to the defined benefit pension scheme of the highest paid director. During the year the highest paid director did not exercise any share options (2022: nil) and nil (2022: nil) shares were granted in respect of a deferred share bonus plan (DSBP). See note 23.

6. Directors' remuneration (*continued*)

Certain directors are also directors of The Go-Ahead Group Ltd and are remunerated by The Go-Ahead Group Ltd. It is not practicable to allocate their remuneration between their services as directors of The Go-Ahead Group Ltd and their services to the Group's subsidiaries. For details on the remuneration of the directors of The Go-Ahead Group Ltd please refer to the Go-Ahead Group Ltd's consolidated financial statements, available as described in note 25.

7. Interest receivable and similar income

	Year ended 31 March 2023 £'000	*9-month period ended 31 March 2022 £'000*
Bank interest receivable	502	197
Interest receivable on net investment	218	23
	720	220

Interest receivable on net investment constitutes finance income earned on the Finance lease receivable.

8. Interest payable and similar expenses

	Year ended 31 March 2023 £'000	*9-month period ended 31 March 2022 £'000*
Other finance charges	558	318
Discounting of provisions	2	6
Interest payable on lease liabilities (note 13)	18,241	1,264
	18,801	1,588

9. Taxation

(a) Tax recognised in the income statement

The tax charge is made up as follows:

	Year ended 31 March 2023 £'000	*9-month period ended 31 March 2022 £'000*
Current tax:		
UK corporation tax	2,278	5,555
Corporation tax in respect of previous periods	(425)	(18)
Total current tax	1,853	5,537
Deferred tax:		
Origination and reversal of temporary differences	645	(1,382)
Adjustments in respect of deferred tax of previous periods	328	-
Effect of rate change on deferred tax balance	(184)	(938)
Total deferred tax (note 9(d))	789	(2,320)
Total reported in the income statement (note 9(b))	2,642	3,217

9. Taxation *(continued)*

(b) Factors affecting current tax charge

A reconciliation of taxation applicable to accounting profit before tax at the statutory tax rates for the years ended 31 March 2023 and 31 March 2022 respectively is shown below.

The tax assessed on the profit before taxation for the period is the standard rate of corporation tax in the UK. The standard rate of corporation tax for the year ended 31 March 2023 was 19% (2022: 19%).

The differences are reconciled below:

	Year ended 31 March 2023	*9-month period ended 31 March 2022*
	£'000	*£'000*
Profit before taxation	14,070	21,892
Tax at the UK corporation tax rate of 19% (2022: 19%)	2,673	4,159
Expenses not deductible net of income not taxable for tax purposes	(87)	182
Depreciation on non-qualifying assets	-	130
Adjustment in respect of deferred tax of previous periods	328	-
Effect of the difference between current period corporation tax and deferred tax rates	337	(1,236)
Adjustment in respect of corporation tax of previous periods	(425)	(18)
Impact of rate change on deferred tax balances	(184)	-
Tax reported in the income statement	2,642	3,217
Effective tax rate	18.8%	14.7%

(c) Current tax liabilities

	Year ended 31 March 2023	*9-month period ended 31 March 2022*
	£'000	*£'000*
Current tax liabilities at start of year	(5,178)	(3,046)
Corporation tax reported in income statement (note 9(a))	(1,854)	(5,537)
Paid in the year	3,549	3,405
Current tax liabilities at end of year	(3,483)	(5,178)

9. Taxation *(continued)*
(d) Deferred tax

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

	9-month period ended 31 March 2022 *£'000*	*Recognised in income statement* *£'000*	*Year ended 31 March 2023* *£'000*
Decelerated capital allowances	5,729	(788)	4,941
Other temporary differences	37	(1)	36
	5,766	(789)	4,977

The deferred tax asset, as shown above, is recognised as it is considered probable that there will be future taxable profits available.

(e) Factors that may affect future tax charge

The standard rate of UK corporation tax is 19% and therefore 19% applies to the current tax charge arising during the year ended 31 March 2023.

Legislation within the Finance Bill 2021 amended this rate to 25% with effect from April 2023 and therefore 25% has been applied, where applicable, to the Company's deferred tax balance as at the balance sheet date for balances which are expected to reverse after this date.

10. Dividends

	Year ended 31 March 2023 *£'000*	*9-month period ended 31 March 2022* *£'000*
Paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2023: £3.38 per share (2022: £nil per share)	16,912	-

Distributions of profit in respect of the period prior to the commencement of the EMA on 1 March 2020, amounting to £16,912,000, were authorised by the DfT in October 2022. Further distributions of profit in respect of the period prior to the commencement of the EMA on 1 March 2020, in addition to the period operating under the EMA and ERMA from 1 March 2020 to 31 March 2022, amounting to £62,296,409, were authorised by the DfT and distributed to the immediate shareholder in July 2023 (note 29).

11. Intangible assets

	Software & Licence Costs £'000
Cost:	
At 31 March 2022 and 31 March 2023	2,250
Amortisation:	
At 31 March 2022	2,250
Provided during the year	-
At 31 March 2023	2,250
Net book value:	
At 31 March 2023	-
At 31 March 2022	-

Amortisation is included within operating costs in the income statement.

12. Plant, property and equipment

	Plant & Equipment £'000
Cost:	
At 31 March 2022 and at 31 March 2023	60,075
Depreciation:	
At 31 March 2022	60,075
Provided during the year	-
At 31 March 2023	60,075
Net book value:	
At 31 March 2023	-
At 31 March 2022	-

13. Right of use assets and lease liabilities

Right of use assets

	Land & Buildings £'000	*Plant & Equipment £'000*	*Rolling Stock £'000*	*Total £'000*
Cost:				
At 31 March 2022	3,236	336	1,199,353	1,202,925
Additions	1,375	-	521,533	522,908
Disposals	(3,236)	(336)	(34,132)	(37,704)
Transfers	392	-	(392)	-
At 31 March 2023	1,767	-	1,686,362	1,688,129
Depreciation:				
At 31 March 2022	(3,236)	(336)	(841,822)	(845,394)
Provided during the year	(416)	-	(292,624)	(293,040)
Disposals	3,236	336	34,132	37,704
At 31 March 2023	(416)	-	(1,100,314)	(1,100,730)
Net book value:				
At 31 March 2023	1,351	-	586,048	587,399
At 31 March 2022	-	-	357,531	357,531

Right of use asset additions comprise new leases which were signed during the year as a result of the commencement of the NRC.

The Company expensed £4.21m (2022: £0.58m) on short term leases during the year. The Company does not have any low value leases.

Lease liabilities
The balance sheet includes the following amounts:

	31 March 2023 £'000	*31 March 2022 £'000*
Current	(282,939)	(125,393)
Non-current	(298,436)	(242,632)
Lease liabilities	(581,375)	(368,025)

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	31 March 2023 £'000	*31 March 2022 £'000*
Less than one year	(293,931)	(143,391)
One to two years	(301,933)	(257,082)
Total undiscounted lease liabilities	(595,864)	(400,473)

13. Right of use assets and lease liabilities *(continued)*

Amounts recognised in the income statement

	31 March 2023	*31 March 2022*
	£'000	*£'000*
Interest payable on lease liabilities (note 8)	(18,241)	(1,264)
Depreciation on right of use assets	(293,040)	(229,766)
	(311,281)	(231,030)

14. Finance lease receivables

Amounts receivable under finance leases:

	31 March 2023	*31 March 2022*
Undiscounted lease payments analysed as:	*£'000*	*£'000*
Recoverable within one year	3,397	3,887
Recoverable within one to two years	3,812	6,922
Undiscounted lease payments	7,209	10,809
Less: unearned finance income	(169)	(382)
Net investment in the lease	7,040	10,427

During the financial year £217,287 (2022: £23,202) was recognised within interest receivable and similar income (note 7).

15. Inventories

	31 March 2023	*31 March 2022*
	£'000	*£'000*
Raw materials and consumables	5,349	5,979

During the financial year £1.07m (2022: £1.04m) of inventories was written down and recognised as an expense, relating to obsolete stock. The amount of any other write downs of inventories recognised as an expense during the year is immaterial.

During the financial year £9,603,000 (2022: £14,905,000) of inventories was recognised as an expense, included within 'Other operating costs' at note 4.

16. Trade and other receivables

	31 March 2023 £'000	*31 March 2022* £'000*
Trade receivables	97,243	106,787
Prepayments	19,133	4,677
Accrued income	21,638	13,697
Central government debtors	212,680	105,379
	350,694	230,540

	31 March 2023 £'000	*31 March 2022 £'000*	*3 July 2021 £'000*
Contract assets	196,099	86,305	40,652

Contract assets are the sum of accrued income and amounts receivable from central government excluding VAT receivables.

Accrued income and amounts receivable from central government principally comprise amounts relating to contracts with customers. Accrued income primarily comprises contract income which is billed on a regular basis and which is reclassified to trade receivables at the point at which it is billed.

The credit risk associated with the Company's trade and other receivables is explained in the Strategic report.

Provision for impairments of receivables

Trade receivables at nominal value of £3.2m (2022: £8.4m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	31 March 2023 £'000	*31 March 2022 £'000*
At 31 March 2022	8,448	7,234
(Reversal)/charge for the year	(4,388)	1,329
Utilised	(893)	(115)
At 31 March 2023	3,167	8,448

During the financial year a reversal of £4,388,267 (2022: charge of £1,329,000) was recognised in respect of impairment losses arising from contracts with customers. The reversal of receivable impairments during the year relates to recoveries of property rental debts following Covid.

* Restated – see note 28

17. Trade and other payables

	31 March 2023 £'000	*31 March 2022 £'000*
Amounts owed to group undertakings (note 21)	1,873	1,828
Trade payables	81,042	68,353
Other taxation and social security	14,543	13,061
Other payables	21,161	20,349
Central government creditors	8,526	25,956
Deferred season ticket income	17,557	13,001
Accruals	101,828	83,870
Deferred income	22,264	22,381
	268,794	248,799

	31 March 2023 £'000	*31 March 2022 £'000*	*3 July 2021 £'000*
Contract liabilities	34,317	23,481	55,797

Contract liabilities are the sum of deferred season ticket income and income ahead of journeys, which is included within the deferred income balance above. Contract liabilities at each balance sheet date are expected to be recognised as revenue within the next financial year.

Amounts owed to group undertakings are repayable on demand and non-interest bearing.

Other payables include pension contributions payable amounting to £2,989,460 (2022: £3,116,691).

Deferred season ticket income and deferred income principally comprise amounts relating to contracts with customers.

18. Provisions

	Uninsured claims *£'000*	*Franchise commitments* *£'000*	*Total* *£'000*
At 3 July 2021	1,943	67,307	69,250
Provided in period (after discounting)	536	10,162	10,698
Utilised in period	(366)	(3,447)	(3,813)
Released in period	(602)	(1,935)	(2,537)
At 31 March 2022*	1,511	72,087	73,598
Provided in year (after discounting)	1,155	17,387	18,542
Utilised in year	(489)	(4,275)	(4,764)
Released in year	(683)	-	(683)
At 31 March 2023	1,494	85,199	86,693

	31 March 2023 *£'000*	*31 March 2022** *£'000*
Current	71,599	69,519
Non-current	15,094	4,079
	86,693	73,598

The present value of the provisions has been calculated using a real pre-tax annual discount rate, based on UK government gilt bonds. The discount rate used was 4.66% (2022: 1.71%).

Uninsured claims
The uninsured claims provision represents the cost to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported by the insurer, subject to the overall stop loss. Claims can primarily be categorised as either motor insurance-related claims or employers' liability and public liability claims. Of the uninsured claims, £1.5m (2022: £nil) are classified as current and £nil (2022: £1.5m) are classified as non-current based on past experience of uninsured claims paid out annually. It is estimated that the majority of uninsured claims will be settled individually within the next 12 months. Both the estimate of settlements that will be made in respect of claims received as well as the estimate of settlements made in respect of incidents not yet reported are based on historic trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months. Uninsured claims are provided on a net basis, being the gross amount of the claim less amounts due back from the insurance providers.

Franchise commitments
Franchise commitments of £85.2m (2022: £72.1m) relate to dilapidation provisions on vehicles, depots and stations and maintenance obligation provisions arising from the contractual relationships in place with the lessors. Of these provisions, £71.6m (2022: £69.5m) are classified as current and £15.1m (2022: £4.1m) are classified as non-current. During the year £nil (2022: £1.9m) of dilapidation provisions which had been previously provided for were released. The remaining dilapidation costs will be incurred as part of a rolling maintenance contract. The provisions are based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisors. Reflecting the nature of the judgements associated with the provisioning for dilapidations it is not practicable to provide further sensitivity analysis of the extent by which these amounts could change in the next financial year.

18. Provisions *(continued)*

Included within the franchise commitments at 31 March 2022 of £72.1m are provisions relating to the settlement of dilapidation obligations as part of the transition from the GTR Emergency Recovery Measures Agreement (ERMA) franchise to the NRC, amounting to £65.2m. Under this transition, future obligations for dilapidations become the responsibility of the DfT. Therefore, a settlement agreement is required between lessors, the Company and the DfT, which is expected to be completed by March 2024 once the DfT have finalised their own analysis and review. This will involve consideration of the build-up of the provision over the life of the franchise (pre-EMA) against historical contract and funding positions and the amounts utilised over the same period for which the directors do not consider it likely that a significant credit to the Income Statement will be recognised. Consequently, these factors will impact how any liabilities or credits that may arise following the settlement would be attributed between the different parties involved. The amounts held reflect the Company's best estimate of the amounts to be paid to settle the remaining franchise obligations.

Estimation uncertainties arise with respect to dilapidation provisions, due to the complex nature of the assets. Estimated dilapidations can range significantly depending on the specific asset being considered. The range of outcomes are assessed on an asset-by-asset basis and the range can vary between a plus or minus 5%-30% dependant on procurement, production or maintenance efficiencies as well as potential economies of scale. Based on the individual assessments, the provision at the period end could fall between an estimated range of £12.5m and £36.7m.

Franchise commitments also comprise an estimate for legal fees in connection to the contingent liabilities within note 26.

* Restated – see note 28

19. Retirement benefit obligations

Defined benefit plans

The majority of employees are members of sections of the Railways Pensions Scheme (RPS), an industry-wide defined benefit scheme. The Company is obligated to fund the relevant section of the scheme over the period for which the franchise is held.

The RPS is governed by the Railways Pension Trustee Company Limited and is subject to regulation from the Pensions Regulator and relevant UK legislation.

All the costs, and any deficit or surplus, are shared 60% by the employer and 40% by the members. The RPS sections are all open to new entrants and the assets and liabilities are separately identifiable and segregated for funding purposes.

In addition, at the end of the franchise, any deficit or surplus in the scheme passes to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Company's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates the franchise.

Changes in financial assumptions include the effect of changes in the salary cap agreed to offset additional national insurance costs as a result of the schemes no longer "opting out".

The accounting policy for the Railways Pension Scheme (RPS) is detailed in note 2 and the accounting judgements are covered in the critical accounting judgements and key sources of estimation uncertainty section.

British Railways Additional Superannuation Scheme (BRASS) matching Additional Voluntary Contributions (AVC) Company contributions of £88,000 (2022: £112,000) were paid in the year.

The contributions made by the company in the year were £25,500,000 (2022: £19,500,000).

19. Retirement benefit obligations *(continued)*

Summary of year end assumptions:

	31 March 2023 %	31 March 2022 %
Rate of increase in salaries	3.5	3.8
Rate of increase in pensions in payment	3.0	3.2
Rate of increase in deferred pensions	3.0	3.2
Discount rate	4.8	2.7
Inflation assumptions:		
RPI	3.2	3.5
CPI	3.0	3.2

Salary increases are set at 0.25% above RPI as per the initial results of the funding valuation as at 31 December 2019, which has not yet been completed. Post year end, the initial results of the funding valuation as at 31 December 2022 have been released, but have not been agreed within the rail industry and therefore have not been used to calculate the assessment of GTR.

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of a male member of each pension scheme at age 65.

	31 March 2023 Years	31 March 2022 Years
Pensioner	21	21
Non-pensioner	22	22

The mortality assumptions adopted as at 31 March 2023 and 31 March 2022 are based on the initial results of the funding valuation as at 31 December 2019, which has not yet been completed.

Sensitivity analysis:
Due to the nature of the franchise adjustment, the balance sheet position in respect of the rail pension schemes is not sensitive to small movements in any of the assumptions and therefore we have not included any quantitative sensitivity analysis.

Category of assets at the year end:

	31 March 2023 Value £'000	%	31 March 2022 Value £'000	%
Equities	1,565,900	99.6	1,613,900	99.5
Properties	500	0.0	300	0.0
Others	5,300	0.4	8,000	0.5
Total market value of assets	1,571,700		1,622,200	

All of the asset categories above are held within pooled funds and are therefore unquoted in active markets. None of the assets are invested in property occupied by the Company or the Company's own financial instruments.

19. Retirement benefit obligations *(continued)*

Funding position of the Company's pension arrangements:

	31 March 2023 £'000	*31 March 2022 £'000*
Employer's 60% share of pension scheme:		
Liabilities at the end of the year	(1,742,600)	(2,203,100)
Assets at fair value	1,571,700	1,622,200
Gross deficit	(170,900)	(580,900)
Franchise adjustment	170,900	580,900
Pension scheme liability	-	-

Pension cost for the financial year:

	Year ended 31 March 2023 £'000	*9-month period ended 31 March 2022 £'000*
Service cost	78,300	67,700
Franchise adjustment to current period costs	(55,900)	(51,400)
Administration costs	3,100	3,200
Interest cost on net liabilities	16,200	9,600
Interest on franchise adjustments	(16,200)	(9,600)
Pension cost	25,500	19,500

19. Retirement benefit obligations *(continued)*

Analysis of change in the employer's 60% share of pension scheme liabilities over the financial year:

	31 March 2023 £'000	*31 March 2022 £'000*
Employer's 60% share of pension scheme liabilities at start of year	2,203,100	2,198,300
Franchise adjustment (100%)	(580,900)	(668,900)
	1,622,200	1,529,400
Liability movement for members' share of assets (40%)	900	49,700
Service cost (60%)	78,300	67,700
Franchise adjustment to current year costs	(55,900)	(51,400)
Interest cost (60%)	41,900	22,300
Interest on franchise adjustment (100%)	(16,200)	(9,600)
Re-measurement loss due to experience (60%)	139,000	39,300
Re-measurement loss due to financial assumptions (60%)	(667,400)	(142,900)
Re-measurement gain due to demographic assumptions (60%)	-	-
Benefits paid (100%)	(53,200)	(31,300)
Franchise adjustment movement (100%)	482,100	149,000
	1,571,700	1,622,200
Franchise adjustment (100%)	170,900	580,900
Employer's 60% share of pension scheme liabilities at end of year	1,742,600	2,203,100

Analysis of change in the pension scheme assets over the financial year:

	31 March 2023 £'000	*31 March 2022 £'000*
Fair value of assets at start of year (100%)	1,622,200	1,529,400
Interest income of plan assets (60%)	25,700	12,700
Re-measurement gain/(loss) on assets (60%)	(46,300)	45,400
Company contributions (100%)	25,400	19,500
Benefits paid (100%)	(53,200)	(31,300)
Administrative expenses incurred (100%)	(5,100)	(5,300)
Members share of movement of assets (40%)	3,000	51,800
Fair value of assets at end of year (100%)	1,571,700	1,622,200

Estimated contributions for future:
Company contributions expected to be paid in financial year 2024 are considered to be the principal risk to which membership of the RPS exposes the Company. Post year end, the initial results of the funding valuation as at 31 December 2022 have been released, but have not been agreed within the rail industry and therefore have not been used to calculate the assessment of GTR, however these may impact future contributions once agreed.

	£'000
Estimated company contributions in financial year 2024	27,000
Estimated employee contributions in financial year 2024	18,000
Estimated total contributions in financial year 2024	45,000

19. Retirement benefit obligations *(continued)*

Franchise adjustment:

The effect of the franchise adjustment on the financial statements is provided below:

	Year ended 31 March 2023 £'000	*9-month period ended 31 March 2022 £'000*
Balance sheet		
Defined benefit pension plan	(170,900)	(580,900)
Deferred tax asset	42,725	140,752
	(128,175)	(440,148)
Other comprehensive income		
Re-measurement gains	(482,100)	(149,000)
Tax on re-measurement gains	91,599	28,310
	(390,501)	(120,690)
Income statement		
Operating costs – franchise adjustment	(16,200)	(9,600)
Deferred tax charge	4,050	2,326
	(12,150)	(7,274)

Experience recognised in other comprehensive income:

	Year ended 31 March 2023 £'000	*9-month period ended 31 March 2022 £'000*
Gain on pension scheme liabilities	528,400	103,600
Experience (loss)/gains on assets	(46,300)	45,400
Franchise adjustment movement	(482,100)	(149,000)
Total gain recognised in other comprehensive income during the year	-	-

Risks associated with defined benefit plans:

Despite remaining open to new entrants and future accruals, the risks posed by the RPS are limited as under the franchise arrangements, the Company is not responsible for any residual deficit at the end of a franchise. As such, there is limited short term cash flow risk within this business and if agreed it would also be proportionately borne by the employees as well as the Company.

20. Commitments

Rail operating charges – company as lessee
At 31 March 2023, the Company holds commercial leases on certain properties and other items. Renewals are at the option of the lessee. There are no restrictions placed upon the lessee by entering into these leases.

The Company previously categorised the majority of rail leases (rolling stock, access charges, stations and depots) as operating leases, under IAS 17. The majority of rail rolling stock leases are now deemed to be right of use assets, following the implementation of IFRS 16, and are now recognised on the balance sheet, with a corresponding lease liability. At the year end the Company did not have any short term leases.

Also, at 31 March 2023, the Company holds agreements under which it leases secure access to railway infrastructure (track, stations and depots). These are classified as rail operating charges, as they do not result in a right of use asset on the basis that the Company does not retain control of the asset. The rail contracts typically run for the period until the end of the relevant franchise.

Future minimum rentals payable for rail operating charges under non-cancellable financial commitments as at 31 March 2023 and 31 March 2022 were as follows:

	31 March 2023	*31 March 2022*
	£'000	*£'000*
Within one year	524,969	451,354
In the second to fifth years inclusive	524,969	791,415
Over five years	-	-
	1,049,938	1,242,769

Rail operating charges – company as lessor
The Company holds agreements under which it leases rolling stock, and agreements with Network Rail for access to the railway infrastructure (track, stations and depots).

Future minimum rentals receivable under non-cancellable financial commitments as at 31 March 2023 and 31 March 2022 were as follows:

	31 March 2023	*31 March 2022*
	£'000	*£'000*
Within one year	2,971	3,162
In the second to fifth years inclusive	2,971	4,523
Over five years	-	-
	5,942	7,685

Performance bonds and other guarantees
The Company has provided bank guaranteed performance bonds of £nil (2022: £24,070,000) and loan guarantee bonds of £36,250,000 (2022: £36,250,000) to the DfT in support of the Company's rail franchise operations.

As part of the NRC the Company entered into a £3,000,000 (2022: £3,000,000) funding deed and £3,000,000 (2022: £3,000,000) guarantee financial bonds to the DfT in support of the Company's rail franchise operations.

In addition, the Go-Ahead Group Ltd, together with Keolis, has a joint parental company commitment to provide funds of £136,000,000 (2022: £136,000,000) to the DfT in respect of the Company. At the year-end £nil (2022: £nil) has been provided.

These bonds and guarantees are counter-indemnified by the shareholders of Govia Limited, the Company's parent company.

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

21. Related party transactions

	The Go-Ahead Group Ltd & Subsidiary Companies	
	31 March 2023	*31 March 2022*
	£'000	*£'000*
Purchases from related party	22,104	32,042
Sales to related party	1,237	7,127
Interest payable to related party	-	-
Amounts owed to related party	1,873	1,828

The Go-Ahead Group Ltd owns 65% and Keolis (UK) Limited owns 35% of the ordinary shares in Govia Limited. Govia Thameslink Railway Limited is 100% owned by Govia Limited.

The Company is a 100% subsidiary of a group whose ultimate parent company is Gerrard Investment Topco Limited. Advantage has been taken of the exemption in paragraph 8(k) of the Financial Reporting Standard 101 and transactions entered into between two or more members of the Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member, have not been disclosed.

The Go-Ahead Group Limited owns 65% of the ordinary shares in Govia Limited. As required under the NRC, the Company enters into arms-length transactions with various subsidiaries of the wider Go-Ahead Group, for the provision of train maintenance, hire of staff and rail replacement bus services. In line with the wider Go-Ahead Group Limited policy, receivable and payables balances held with each related party are settled monthly on a net basis, therefore the balances are presented net in the financial statements. Details of these transactions are as follows:

	Year ended 31 March 2023	*9-month period ended 31 March 2022*
Purchases from related party	*£'000*	*£'000*
Brighton & Hove Bus and Coach Company Ltd	(892)	(825)
London General Transport Services Ltd	(13,369)	(12,640)
London & South Eastern Railway Ltd	-	(4,955)
On Track Retail Ltd	(1,468)	(944)
The Go-Ahead Group Ltd	(6,375)	(12,678)
	(22,104)	(32,042)

	Year ended 31 March 2023	*9-month period ended 31 March 2022*
Sales to related party	*£'000*	*£'000*
Brighton & Hove Bus and Coach Company Ltd	41	29
Go-Ahead Australia Pty Ltd	-	32
Go-Ahead Retail Services Ltd	67	109
London & Birmingham Railway Ltd	60	369
London & South Eastern Railway Ltd	521	6,008
The Go-Ahead Group Ltd	548	580
	1,237	7,127

21. Related party transactions (*continued*)

Amounts owed to related party	*31 March 2023* *£'000*	*31 March 2022* *£'000*
Brighton & Hove Bus and Coach Company Ltd	77	72
London General Transport Services Ltd	1,574	1,649
Go-Ahead Australia Pty Ltd	-	22
Go-Ahead Retail Services Ltd	-	(9)
Govia Ltd	(13)	(1,688)
London & Birmingham Railway Ltd	-	(368)
London & South Eastern Railway Ltd	-	(103)
On Track Retail Ltd	208	243
The Go-Ahead Group Ltd	27	2,010
	1,873	1,828

22. Called up share capital and reserves

	Allotted, called up and fully paid			
	31 March 2023		*31 March 2022*	
	No.	*£'000*	*No.*	*£'000*
Ordinary shares of £1 each	5,000,000	5,000	5,000,000	5,000

Ordinary £1 shares have the following rights, preferences and restrictions:
The holders of the shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.

The entirety of reserves within equity represents retained earnings. Retained earnings represent the cumulative profits of the Company less any dividends paid.

23. Share based payments

Share Incentive Plan
Up until 10 October 2022, the Company participated in an HMRC approved share incentive plan, known as The Go-Ahead Group plc Share Incentive Plan (the "SIP"). The SIP was operated by The Go-Ahead Group plc (subsequently re-registered as The Go-Ahead Group Limited) (the "Group"), and was open to all Group employees who completed at least six month's service with a Group company at the date they were invited to participate in the plan.

Whilst four different types of awards were permitted under the SIP (free shares, partnership shares, matching shares, and dividend shares), the Group made awards of partnership shares only. Under these awards, qualifying employees were invited to apply between £10 and £150 per month in acquiring shares in the Group at the prevailing market price, and certain tax advantages were available to the Group and employees.

On 10 October 2022, the Group was acquired by Gerrard Investment BidCo Limited, a wholly owned subsidiary of Gerrard Investment Topco Limited, and the SIP ceased to operate.

Deferred Share Bonus Plan
Up until 10 October 2022, the date of Acquisition, the Company participated in a Deferred Share Bonus Plan (DSBP). The DSBP was operated by the Group and provided for executive directors and certain other senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares were deferred over a three-year period.

Following the Acquisition, all DSBP awards which vested (or had previously vested but remained unexercised) were settled in cash in line with the terms of the Scheme of Arrangement. For each option held, participants £15.50

23. Share based payments *(continued)*

(£14.50 cash consideration plus £1 special dividend). As at 31 March 2023, there were no outstanding options held under the DSBP.

The credit recognised for the DSBP during the year was £186,296 (2022: expense of £50,000).

The DSBP options were not subject to any market-based performance conditions. Therefore, the fair value of the options was equal to the share price at the date of grant.

The weighted average fair value of options granted during the year was £nil (2022: £nil).

The weighted average exercise price of options exercised during the year was £15.50 (2022: £7.69). There was no range of exercise prices.

24. Restricted cash

Restricted cash balances are included in cash and cash equivalents. The restricted cash is not available for immediate or general business use and can only be distributed with the agreement of the DfT, normally up to the value of revenue reserves or based on a working capital formula. Under the terms of the NRC which commenced on 1 April 2022 all cash and cash equivalents are restricted. An additional restriction exists in that no distribution can be made during the year without the DfT providing formal confirmation.

Included within cash and cash equivalents is an amount of £66,640,000 (2022: £173,186,000) held, which cannot be distributed by means of a dividend. During the year, in October 2022, following permission given by the DfT, the directors agreed to make a dividend payment of £16.9m to its shareholders. Subsequent to the year end, in July 2023, following permission given by the DfT, the directors agreed to make a dividend payment of £62.3m to its shareholders, see note 29.

25. Ultimate parent company

The immediate parent company and controlling party of Govia Thameslink Railway Limited is Govia Limited, a Company registered in England and Wales and registered office is 3rd Floor, 41 - 51 Grey Street, Newcastle upon Tyne, NE1 6EE, United Kingdom. Govia Limited is jointly owned by Keolis (UK) Limited (35%) and The Go-Ahead Group (65%).

In the opinion of the directors', the Company's ultimate parent company and controlling party was The Go-Ahead Group plc up until 10 October 2022 when The Go-Ahead Group plc was acquired by Gerrard Investment Bidco Limited ("Bidco") and re-registered as The Go-Ahead Group Limited (the "Group") on 13 October 2022. The Go-Ahead Group Limited is a company incorporated in England and Wales whose registered office is 3rd Floor, 41 – 51 Grey Street, Newcastle upon Tyne, NE1 6EE.

BidCo's ultimate parent company is Gerrard Investment Topco Limited ("Topco"), which is indirectly owned by Kinetic TCo Pty Ltd and Global Via Infraestructuras S.A..

As such, from 10 October 2022 and as at 31 March 2023, in the opinion of the directors, the Company's ultimate parent company and controlling party is Gerrard Investment Topco Limited, a Company incorporated in England and Wales and whose registered office is 27 Old Gloucester Street, London WC1N 3AX, United Kingdom.

Topco, along with its subsidiaries, is the largest group of undertakings for which consolidated financial statements have been drawn up and of which the Company is a member and the Group, along with its subsidiaries, is the smallest such group of undertakings. Copies of both Topco's and the Group's financial statements will be made available from Companies House, Crown Way, Cardiff, CF14 3UZ.

26. Contingent Assets & Liabilities

Pricing practices proceedings against Govia Thameslink Railway Limited (GTR)
On 10 June 2021 a Collective Proceedings Application ("CPA") was filed at the Competition Appeal Tribunal ("CAT") under Section 47B of the Competition Act 1998, against GTR, as well as The Go-Ahead Group Ltd and Keolis (UK) Limited (together, the Defendants). The collective proceedings combine claims against the Defendants caused by alleged infringements of the Chapter II prohibition on abuse of dominance in Section 18 of the Competition Act 1998 in respect of alleged loss suffered by rail passengers travelling on the London-Brighton mainline as a result of pricing and other practices of GTR.

The claim was certified by the Competition Appeal Tribunal (CAT) on 25th July 2022 (i.e. permitted to proceed to trial) and tribunal ordered defendants on the case to pay £250k for Claimant's legal costs. Following a case management conference (CMC) on 14th October 2022, the Tribunal accepted that the claim should be tried with split trials focused on: (i) liability; and (ii) causation and quantum, rather than a full trial on all issues. There are further development on the case since the end of March 2023. As ordered by the court, the Class Representative filed a revised claim form on 19 May 2023, as well as an expert report from the Class Representative's new expert ("*Davis 2*"). GTR filed its application in respect of the Class Representative's new expert methodology on 28 July 2023. A case management conference took place on 12-13 October 2023, to consider the Defendants' applications arising out of the revised claim form and Davis 2.
The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot be substantiated by GTR at this stage. It is therefore not yet possible to assess with any certainty the likely outcome of this case, or to quantify any potential liability of GTR. There is no legal precedent both in respect of this type of claim or how it would be valued if found to be a valid claim. Finally, determining how such a claim would be allocated amongst the various parties, and other stakeholders including the Department for Transport (DfT), is highly uncertain. No provision associated with the claim (other than for legal costs of £7.1m (2022: £4.8m)) has accordingly been made.

Accordingly, GTR cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Accounts.

Boundary Zone Fare proceedings against Govia Thameslink Railway Limited (GTR)
On 24 November 2021 a Collective Proceedings Application ("CPA") was filed at the Competition Appeal Tribunal ("CAT") under Section 47B of the Competition Act 1998, against GTR, as well as Govia Limited, The Go-Ahead Group Ltd and Keolis (UK) Limited (together, the Defendants). The claim alleges, similarly to the allegations made against LSER in relation to Boundary Zone Fares, that GTR failed to make Boundary Zone Fares sufficiently available to those rail passengers who held TfL travelcards across its multiple sales channels and failed to ensure that customers were aware of these.

On 15 December 2021 the CAT stayed proceedings pending the determination of any appeals in the Boundary Zone Fare proceedings against LSER. The stay has now expired, and the claim will proceed to a determination on certification to decide whether this is a claim that meets the legislative criteria for this type of claim to proceed to a full trial. This means that proceedings are at an earlier stage than both the collective proceedings against LSER in relation to Boundary Zone Fares, and the proceedings against GTR in respect of pricing practices on the London-Brighton mainline (see above). At a hearing held on 22 March 2023, the claim was certified to proceed. The Tribunal permitted the DfT to intervene by filing written submissions to assist the Tribunal's understanding of the railway regulation and framework. There are further developments on the case since the end of March 2023. A case management hearing (CMC) took place on 7 July 2023, which determined next steps and trial structure. The Tribunal agreed with the Defendants that proceedings should be split and that dominance should be addressed last. The Defendants sought a structure which assessed dominance last because that assessment would be an intensive stage of the litigation that might not be required depending on the outcome of the earlier phases. The Tribunal ordered a three stage trial structure.

The claim is disputed in respect of its technical merits and the basis of the claim appears to be an initial estimate with assumptions that cannot initially be substantiated. It is not yet possible to assess with any certainty the likely outcome of this case, or to quantify any potential liability of the Defendants. There is no legal precedent both in respect of this type of claim or how it would be valued if found to be a valid claim. Finally, determining how such a claim would be allocated amongst the various parties, and other stakeholders including the Department for Transport (DfT), is highly uncertain. No provision associated with the claim (other than for legal costs of £3.1m (2022: £2.1m)) has accordingly been provided.

26. Contingent Assets & Liabilities *(continued)*

Accordingly, GTR cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Accounts.

Visa/Mastercard Interchange Fees Claim
On behalf of several Train Operating Companies including GTR, the Rail Delivery Group has instructed lawyers to negotiate compensation for over payment of the multilateral interchange fee to Visa and Mastercard on credit card sales from 2011 to date. Negotiations are ongoing, but a settlement is now considered likely.

Accordingly, GTR cannot make a reliable estimate of any contingent asset in respect of this matter at the time of publishing the Accounts.

West Worthing Siding Incident
The Office of Rail & Road (ORR) issued an Improvement Notice on 17 May 2022 to investigate the circumstances of the tragic accident that resulted in the death of a train driver adjacent to West Worthing sidings on the 1 February 2022. Their investigation, running parallel with a Rail Accident Investigation Branch (RAIB) investigation, was to see if there has been a breach in duty under the Health and Safety at Work etc. Act 1974. The Improvement Notice stated that drivers and conductors operating trains between Brighton Station and West Worthing Station on Class 313s do not have sufficient access to welfare facilities at readily accessible places. GTR was required to undertake specific monitoring to examine diagrams to see if greater time provision and better access to toilets can be provided on the route. On 25 October 2022, the ORR, having been presented with evidence of work completed, has confirmed that the Notice issued on 17 May 2022 has been complied with.

The RAIB investigation informed the Coroner's inquest which was completed in June 2023 and gave narrative conclusion which describes how the driver was struck by a train and that there is no evidence to explain what happened in the time between opening the cab door and the collision, nor why he exited the cab. There could be civil claims by the driver's family. However, both legal costs for claimant and defendant and any potential liability settlement will be covered by GTR's employer insurance should they win the case.

Accordingly, GTR cannot make a reliable estimate of any contingent liability in respect of this matter at the time of publishing the Accounts.

27. Cash and cash equivalents

The majority of the Company's cash is held in bank deposits which have a maturity of three months or less to comply with the DfT short term liquidity requirements.

	31 March 2023 £'000	*31 March 2022 £'000*
Cash at bank and in hand	65,509	171,695
Cash equivalents	1,131	1,491
Cash and cash equivalents	66,640	173,186

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective deposit rates. The fair value of cash and cash equivalents is not materially different from book value.

Amounts held by the Company included in cash at bank and on short-term demand deposit can be distributed only with the agreement of the DfT, normally up to the value of distributable reserves or based on a working capital formula. Following the introduction of the NRC from 1 April 2022, all of the Company's cash continues to be restricted. Distributions of profit in respect of the period prior to the commencement of the EMA on 1 March 2020, amounting to £16,900,000, were paid by the DfT in October 2022. Further distributions of profit in respect of the period prior to the commencement of the EMA on 1 March 2020, in addition to the period operating under the EMA and ERMA from 1 March 2020 to 31 March 2022, amounting to £62,296,409, were paid by the DfT in July 2023.

28. Prior year restatements (IAS 8 Profit & Loss and Balance sheet Classification)

Management have reviewed the accounting treatment adopted in the prior period to recognise and measure heavy maintenance service agreements held with the lessors of rolling stock. The accounting treatment adopted in the prior period recognised a reimbursement asset and heavy maintenance reserve for heavy maintenance costs that were expected to be required over the period of the maintenance contract. Fixed fee heavy maintenance charges were not considered to be in scope of IFRS 16 Leases and charged to the income statement. The lessor would pay the heavy maintenance service provider to perform the necessary heavy maintenance in accordance with the heavy maintenance program from a reserve held by the lessor. The heavy maintenance services invoiced to the lessor by the Company were not considered to be revenue and were recognised against heavy maintenance costs incurred by the Company. As the heavy maintenance charge was outside the scope of IFRS 16 Leases, management referred to USGAAP for guidance and determined that a reimbursement asset and related heavy maintenance provision should be recognised.

Upon review management have concluded that the recognition of a reimbursement asset and heavy maintenance provision is not consistent with IFRS definitions for assets or provisions, and furthermore the treatment adopted is not considered to be the accepted industry practice. The impact of the change in accounting policy results in an adjustment to reduce trade and other receivables and dilapidation provisions to derecognise the reimbursement asset and heavy maintenance provision, in addition to, an adjustment to increase revenue and operating costs to reflect the maintenance service provided to the lessor in accordance with IFRS 15 Revenue from Contracts with Customers. The financial impact is disclosed in the table below:

28. Prior year restatements (IAS 8 Profit & Loss and Balance sheet Classification) *(continued)*

Income Statement (extract)	**31 March 2022 £'000**	**Increase £'000**	**31 March 2022 £'000 (Restated)**
Revenue	1,258,441	13,693	1,272,134
Operating Costs	(1,235,181)	(13,693)	(1,248,874)
Operating Profit	**23,260**	**-**	**23,260**

Note 3 Revenue (extract)	**31 March 2022 £'000**	**Increase £'000**	**31 March 2022 £'000 (Restated)**
Other Revenue	103,175	13,693	116,868
Total Revenue	**1,258,441**	**13,693**	**1,272,134**

Note 4 Operating Costs (extract)	**31 March 2022 £'000**	**Increase £'000**	**31 March 2022 £'000 (Restated)**
Other operating costs	291,648	13,693	305,341
Total operating costs	**1,235,181**	**13,693**	**1,248,874**

28. Prior year restatements (IAS 8 Profit & Loss and Balance sheet Classification) (*continued*)

Balance sheet (extract)	31 March 2022 £'000	Increase / (decrease) £'000	31 March 2022 £'000 (Restated)
Current Assets			
Trade and other receivables	279,940	(49,400)	230,540
Total Assets	**832,829**	**(49,400)**	**783,429**
	31 March 2022 £'000	**Decrease £'000**	**31 March 2022 £'000 (Restated)**
Current Liabilities			
Provisions	(97,804)	28,285	(69,519)
Non-current Liabilities			
Provisions	(25,194)	21,115	(4,079)
Total Liabilities	**(745,000)**	**49,400**	**(695,600)**

Note 16 Trade and other receivables (extract)	31 March 2022 £'000	Increase / (decrease) £'000	31 March 2022 £'000 (Restated)
Trade receivables	161,530	(54,743)	106,787
Accrued income	8,354	5,343	13,697
Total	**279,940**	**(49,400)**	**230,540**

Note 18 Provisions (extract)	Franchise Commitments £'000	(Decrease) £'000	Franchise Commitments £'000 (Restated)
Provided in Period	59,562	(49,400)	10,162
At 31 March 2022	**121,487**	**(49,400)**	**72,087**

29. Post balance sheet events

Since 31 March 2023 there have been the following significant events.

- Station Workforce Reform: On 5 July, GTR launched a public consultation to consider plans to move more colleagues from ticket offices and into other stations area, to help more customers. The public consultation closed on 1 September. GTR carried out the public consultation after receiving a mandate from the Government to look at modernising the railways. The public consultation has helped customers and external stakeholders offer their views and opinions on our proposals.

- Litigation: There have been further developments after the year end in both the Boundary Fare Zone proceedings against GTR and others and the Pricing practices proceedings against GTR and others, for which more detail is provided in note 26 Contingent liabilities. The provision for legal costs has been updated accordingly and is reflected in the provisions at note 18.

- PBF confirmed scores on scorecard (SCR) measures related to FY23: the DfT confirmed the SCR scores element of PBF related to FY23 in a letter dated 15 September. These scores were more favourable than previously assumed and the consequent improvement in PBF is reflected in profit for the year.

- Revenue QTM: the DfT has proposed, from 17 September 2023 (start of Period 7) onwards, to move GTR from a scorecard methodology to a quantified target methodology (QTM) for the revenue element of the performance-based fee (PBF). This has been called a Revenue Outturn Mechanism (ROM) by the Department. There have been ongoing discussions between GTR, owning groups and the DfT to refine both the methodology for how the regime will work and the proposed targets. After the year-end, GTR's shareholder and its board reached agreement with the DfT to enter into the regime from 17 Sep 2023. The Mechanism carries the potential to generate upside to the current PBF regime as well as downside in the case of reducing revenues, both of which are capped under the agreement.

Dividends paid after the year end are disclosed in note 10.

As part of the NRC requirements, the Company is seeking to finalise its franchise commitments position with the relevant contracted third-party suppliers as at 31 March 2022. Once the position is finalised, a separate full and final settlement will also be agreed with the DfT. As at the date of issuance of these financial statements this process has not yet been completed.

For information on Board changes that occurred subsequent to the period ended 31 March 2023, please see the Directors Report on pages 23 and 24.