Cabinet Secretary for Transport
Fiona Hyslop MSP

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Edward Mountain
Convener,
Net Zero, Energy and Transport Committee
The Scottish Parliament
Edinburgh
EH99 1SP
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17 December 2024

Dear Convener,

I write to notify you that Scottish Rail Holdings (SRH), ScotRail Trains Ltd (SRT) and Caledonian Sleeper Ltd's (CSL) Annual Report & Accounts for the year ended 31 March 2024 are scheduled to be laid before Parliament by Wednesday 18th December 2024.

The documents detail SRH, SRT and CSL performance against objectives and related expenditure. They also include the required governance information and details of Directors' remuneration. The accounts have received an unmodified audit opinion, and for SRH the Auditor General has advised that he does not wish to bring any specific issues to the attention of Parliament under Section 22 of the Public Finance and Accountability (Scotland) Act 2000.

I enclose an embargoed copy for you to share with Committee members.

FIONA HYSLOP

Scottish Rail Holdings Limited

Annual Report and Accounts
For the year ended 31 March 2024

Company Registration Number SC548826

Registered office: 3rd Floor St Vincent Plaza, 319 St Vincent Street, Glasgow G2 5LD

Contents

Performance Report

In alignment with the FReM (Government Financial Reporting Manual 2023-24) the following are included in the Performance Report:

- Company Information
- Chair & Chief Executives' Overview
- Performance Overview
- Performance Analysis

Company Information

Non-Executive Chair	Richard Cairns
Chief Executive and Accountable Officer	Hannah Ross
Executive Directors	John MacQuarrie Campbell Davidson Neil Amner Graeme Cook
Non-Executive Directors	Rozanne Foyer Carolyn Griffiths Brian Baverstock
Company Secretary & General Counsel	Neil Amner
Chair of Audit and Risk Committee	Brian Baverstock
Registered Office	3rd Floor St Vincent Plaza 319 St Vincent Street Glasgow G2 5LD
Independent Auditors	Audit Scotland 4th Floor 102 West Port Edinburgh EH3 9DN

The directors above are those in place on the date of signing the accounts on 12 December 2024. A detailed table of all the changes in directors throughout the year and up to the date of signing the accounts, is shown in the Directors' Report on page 29.

Chair & Chief Executive Officer's Overview

We are pleased to provide an update on the progress of Scottish Rail Holdings Limited (SRH) after two years of public ownership of ScotRail Trains Limited (SRT), and the successful mobilisation of Caledonian Sleeper Limited (CSL) services on 25 June 2023.

Despite significant challenges faced by extreme weather and changing travel patterns we have achieved sustained passenger and revenue growth throughout the year.

Our success is the result of the significant contributions by our dedicated employees across the SRH Group who work every day to deliver safe and reliable rail services which connect people and places across Scotland, and the UK, making it a great place to live, work, and visit.

The SRH Group continues to work closely with our Sponsor, Transport Scotland (TS), and our Alliance partner, Network Rail, to ensure our strategy aligns with the Scottish Government's National Transport Strategy whose vision is underpinned by four interconnected priorities: reduces inequalities, takes climate action, helps deliver inclusive economic growth and improves our health and wellbeing.

We look forward to building on our successes next year and beyond and continuing to support Scottish Government's ambitious plans for delivering sustainable and inclusive growth and delivering net zero emissions by 2045.

Richard Cairns
Chair

12 December 2024

Hannah Ross
Chief Executive Officer

12 December 2024

Performance Overview

The purpose of this section is to provide an overview of SRH, its purpose, and activities. The section also includes information on key risks and issues for the organisation and a high-level summary of performance in 2023/24.

About Us

Purpose

SRH is established under the Companies Act 2006 as a company limited by shares wholly owned by the Scottish Ministers. The constitution of SRH is set out in its Articles of Association. SRH was established as an arm's length entity in 2018 for the purpose of managing any operating companies required to discharge the Scottish Ministers duties under Section 30 of the Railways Act 1993.

Our Mission

To connect people and places to help make Scotland a great place to live, work and visit.

Our Vision

Our vision is to enable Scotland to have the best possible rail service.

Business Model

SRH operates under a Framework Agreement with the Scottish Government and Grant Agreements which allow SRT and CSL to operate their services. Both are wholly owned subsidiaries of SRH.

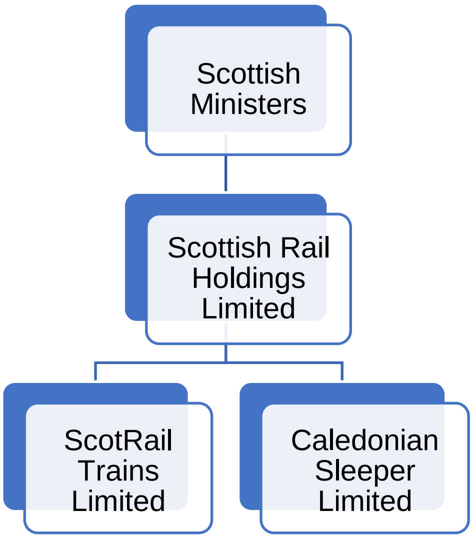
SRT operates passenger rail services and manages stations primarily in Scotland. SRT operate services across the whole of Scotland, from the UK's most northerly station of Thurso, all the way down to Gretna Green. SRT also operate a service to Carlisle in the north of England, alongside other further connecting railway routes.

CSL began operating Caledonian Sleeper services on 25 June 2023, prior to that it did not trade. CSL operates five routes Northbound and Southbound, including the Highlander route between London and Aberdeen, Inverness and Fort William and the Lowlander route between London, Glasgow and Edinburgh.

Both SRT and CSL work with key partners, including Network Rail, who maintain and control the railway infrastructure, and with rolling stock companies who own the trains that SRT and CSL operate.

Corporate Structure

The SRH Group corporate structure for the whole year is shown below. The owners of SRH are the Scottish Ministers acting through TS. CSL did not become operational until 25 June 2023.



Our Staff

Our people are vital to the success of the Group's businesses. As at 31 March 2024, the SRH Group had 5,605 staff. Within the Group, most of our staff are employed by SRT (5,293 staff) and CSL (287 staff). Further detail can be found in SRT's and CSL's published accounts. A detailed analysis of SRH staff remuneration is shown in the Remuneration and Staff Report on page 40.

Our Stakeholders and Suppliers

Developing strong and lasting relationships with customers, suppliers and the wider community is a priority for the Group. We value the views of our stakeholders and feedback from them is vital to ensuring that we deliver the best possible services for customers, understanding and recognising their diverse needs, which enables the delivery of key business objectives.

As well as our customers, key stakeholders include TS, and Network Rail through Scotland's Railway Alliance. Continual and effective communication is maintained with these stakeholders both through regular and formal Board meeting cycles and on an informal basis through several multi-disciplinary committees and panels.

The Group continues to build relationships with other key stakeholders through communication and engagement. These include Community Rail Partnerships, Transport Focus, local authorities, train/bus/ferry/airport operators, the Mobility Access Committee Scotland, Disability Equality Scotland, Visit Scotland, business organisations, Members of Parliament, Members of the Scottish Parliament, and Councillors. The Group integrates the requirements of its stakeholders into its proposals for the future of Scotland's railway.

SRT's stakeholder favourability score, measured through an independent survey, was ahead of target thanks to a focused and strategic approach to stakeholder engagement with 76% of stakeholders reporting being 'favourable' towards Scotland's Railway, against a 73% target.

The Scotland's Railway Stakeholder Panel helps scrutinise the performance of Scotland's Railway, as well as bring insight and challenges to its work. The support of this senior group representing a broad range of the economy and society in Scotland helps inform on future changes that should be considered by Scotland's Railway.

Community Engagement

The Group supports Community Rail Partnerships (CRPs) and station adoption groups. Furthermore, SRH promotes knowledge sharing within the rail industry and wider community stakeholders.

SRT works with and supports local communities to maximise the benefits of its services and stations. A key strand of this work is the vast network of volunteers through support for CRPs and SRT's 'Adopt-a-Station' programme. The latter sees more than 1,000 volunteers actively work to improve the environment at 211 Scottish stations. Furthermore, SRT promotes knowledge sharing within the rail industry and wider community stakeholders, including a comprehensive rail safety programme for children and young people across the country. In the financial year, SRT established a three-year charity partnership with Age Scotland, Scotland's national charity for older people, after staff across ScotRail and Network Rail Scotland selected it to be their new nominated charity. SRT has also developed partnerships, based upon shared-ambitions and joint-working, with a range of national, regional, and local community groups and organisations.

CSL currently have two charity partners in place; Give a Dog a Bone and Railway Children which it supports with donations of tickets to fundraising activities the charities hold as well as considering opportunities to promote a positive rail safety environment within schools. Work is ongoing to consider further ways CSL can work with these partners. CSL has also partnered with City Harvest to donate all its unsold onboard food items. CSL employed a new Environment, Sustainability and Social Governance (ESSG) manager in March 2024, aimed at promoting ESG across the business and reporting on all environmental matters, including emissions associated with its activities, waste arisings, and improving social value for the communities served on their routes. The ESSG manager will also produce CSL's ESG Strategy during financial year 2024/25.

Summary of Priority Outcomes

The key priorities of SRH and the subsidiaries during the year are listed below. These reflect our mission and vision.

1. Ensuring the safety of our customers and staff, and others who interact with our operations. Safety is, and will always be, the top priority of the Group.
2. Delivery against key operational performance and customer satisfaction targets.
3. Developing SRH's strategic plan.
4. Caledonian Sleeper mobilisation.
5. Continued development of the Group's fleet strategy.
6. Developing SRH and CSL resource plans to best address both current and future challenges.
7. Developing SRT and CSL branding and marketing campaigns.
8. Launching the new CSL flagship lounge at Euston Station, London.
9. Developing SRH's governance arrangements, including assessment of internal audit coverage required.
10. Reviewing the improvements that are needed to the processes currently in place to identify and manage risks.
11. Supporting Scottish Government plans for sustainable inclusive growth and the delivery of a target of net zero emissions by 2045.

Performance Summary

Overleaf is a summary of the Group's performance. More detail is given in the Performance Analysis. This is the first year that CSL was brought into public ownership and therefore there are no comparatives for CSL's performance for the prior year.

Priority	Progress
Safety	SRT: - Installed new cameras with intelligent video analytics at 60 stations. - Made 1,000 personal body cameras accessible to all frontline colleagues. SRT's Staff Lost Time Injuries resulting in absence was 62 (against a threshold of 35) and passenger accidents were 434 (against a threshold 395). These results should be seen in the context of ScotRail having 5,293 staff and 81.1 million passenger journeys in the year. Variances are due to the passenger threshold being estimated on lower forecast passenger growth compared to actual. The staff results benchmark well against other operators. CSL's Staff Lost Time Injuries resulting in absence was 2 (against a threshold of 3) and passenger accidents were 38 (against a threshold of 25). Passenger accidents related to minor injuries. These results should be seen in the context of CSL having 287 staff and 305,916 passenger journeys in the year.
Operational Performance	The Group launched the Scottish Government's Off-Peak All-Day trial in partnership with TS. SRT achieved: - Passenger growth of 28% year-on-year. - Revenue growth of 23% year-on-year. - A reduction in ticketless travel of 33%. - 9 million more tickets scanned by frontline colleagues compared with 2022/23. Despite extreme weather events, SRT delivered Public Performance Measure ('PPM') on a rolling 12 month moving annual average ('MAA') of 89.9% (target 92.5%). SRT's customer satisfaction scores averaged 89% (target 90%) which compared favourably to the overall average for UK rail of 81%. CSL exceeded its key performance targets with a Right Time Performance of 87.24% (target 80%) and Guest Satisfaction 3 stars and above averaging 87% (target 85%) for overall journey experience.
Strategic Plan	Since the year end, SRH's strategic plan has been approved by TS and the Scottish Ministers and published on our website.
Mobilisation	Successfully transferred Caledonian Sleeper rail operations to CSL on 25 June 2023.
Fleet Strategy	Continued to develop the Group's fleet strategy.
Resourcing	SRH commenced the review and refinement of its optimal organisational structure, and additional resource requirements, to best address both current and future challenges. SRH successfully recruited a new permanent SRH Chief Executive Officer in September 2024. CSL has invested in developing its teams and internal systems to allow the elimination of reliance on outsourced shared services. This work will continue throughout 2024/25.
Branding	SRT and CSL delivered new brand and marketing campaigns.

Priority	Progress
Flagship Lounge	CSL successfully launched the new flagship lounge at Euston Station.
Governance	SRH operated governance arrangements in line with expectations laid out in the Framework Agreement and the Scottish Public Finance Manual. Management reviewed the effectiveness of these arrangements. More information is given in the Review of Effectiveness section on page 36.
Risks	SRH has identified and assessed the key risks it faces. These are captured on a strategic risk register which is regularly reviewed by both senior management, the Audit and Risk Committee and the Board. Each risk has been assigned an owner, and actions are taken to either manage or mitigate that risk to an acceptable level. More information is given in Principal Key Risk and Uncertainties on page 20.
Sustainability	Ongoing commitment to net zero by 2045. The Group is in the process of putting arrangements in place to ensure required information is gathered for Task Force on Climate-Related Financial Disclosures in 2024/25 as detailed in the Sustainability section on page 24.

The Financial Performance section later in this report considers the Group's financial performance during the year, including an analysis of the Group's outturn versus the approved budget allocation.

Key Risks

SRH has identified and assessed the key risks it faces, and these are captured on a strategic risk register which is reviewed by senior management, the Audit and Risk Committee and the Board. Some of the more significant risks facing the SRH Group include:

Risk	Description
Governance	We may not have the resources, capacity and governance arrangements to successfully deliver our strategic objectives and planned outcomes.
Financial	Challenges around the efficient delivery of agreed service level specifications within the approved budget allocation.
Operational	Having sufficient, appropriate and reliable rolling stock. Ensuring sufficient and appropriately skilled staff are available to deliver services. Service performance is highly dependent on partners and external suppliers. Resilience and business continuity challenges including increased risks arising from climate change/increasing frequency of severe weather events. Maintaining safety of staff and passengers, and those who interact with our operations.
Information	Cyber and information security risks.

Additional information on these risks and areas of uncertainty, how we have responded to these issues and, where relevant, any further actions planned are outlined in more detail in the section Principal Key Risks and Uncertainties.

Future Developments

We are working with TS to ensure that all aspects of the work of SRH, including SRT and CSL, fully embrace all aspects of being a publicly owned service and that we deliver best value. Since the year end, SRH has published our five-year strategic plan. Our high-level objectives under the plan are to reduce inequalities, take climate action, help deliver inclusive growth and improve our health and wellbeing. In addition to these overarching aims, we supported the review, update and strengthening of the Alliance Agreement between SRT and Network Rail Scotland, which was signed in October 2024.

Following successful timetable consultations in Autumn 2023, SRT held public consultations for timetable improvements covering Ayrshire and Inverclyde, and Edinburgh to Fife and Tay Cities with customers invited to provide their feedback before introduction in June 2024. The new Levenmouth branch line was opened by the First Minister in June 2024, providing more opportunities for people to travel by train. Elsewhere on the network, SRT looks forward to working on the new Balgray Station on the Glasgow to Neilston Line, envisaged to complete in 2026. The latest phase of the Scottish Government's rail decarbonisation programme is now complete, enabling SRT to operate local services between Glasgow and Barrhead with electric trains. SRT is supporting both TS and Network Rail to deliver improvements to the Glasgow to East Kilbride route, which will deliver the next phase of the rail decarbonisation programme in 2025/26.

Work has been started in CSL to develop a long-term strategic plan out to 2030, including a locomotive feasibility study which will review options for future locomotive supply and associated decarbonisation opportunities; a Lounge Strategy which sets out a vision to develop the guest proposition building on the success of the new flagship Euston lounge; and a study by Fraser of Allander Institute on the economic benefits that the Caledonian Sleeper brings to Scotland, which will inform CSL's future market growth strategy.

Going Concern

The SRH Group accounts have been prepared on a going concern basis as detailed on page 32.

Performance Analysis

This section of the report provides a detailed review of the Group's activity and performance against our objectives.

Non-Financial Performance

The following section considers the Group's non-financial performance in respect of the key priorities listed in the Performance Overview on page 8.

Priority 1: Safety of our Customers and Staff

On behalf of the Scottish Ministers, SRH is responsible for stewardship and oversight of the Group. The safety of the Group's staff and passengers is our top priority.

Safety performance is proactively managed at all levels across the Group, engaging staff and trade unions' representatives. This is overseen by the Boards and the respective Safety, Health, and Environment Committees in SRT and CSL, and in collaboration with other key partners such as British Transport Police and Network Rail.

The Group measures its performance based on several indicators. Details at the subsidiary level are shown below.

SRT

SRT's guiding principle is "everyone home safe, every day".

SRT monitors a wide range of safety performance indicators including staff accidents, passenger accidents and train operational incidents. One key area of focus in the year was combatting anti-social behaviour to reduce the impact felt by front line colleagues. One of the key initiatives that was delivered in the year was the expansion and upgrade of body worn cameras, making 1,000 cameras accessible to all frontline colleagues. The cameras provide an enhanced level of safety and security on trains and in stations for staff and customers.

SRT operates one of the largest CCTV networks in the UK with more than 8,000 cameras. A £2m investment made in partnership with Network Rail has just completed the installation of new cameras with intelligent video analytics at 60 stations to help identify vulnerable people and combat anti-social behaviour.

In 2023/24 SRT's Staff Lost Time Injuries resulting in absence was 62 (2023: 33) and passenger accidents were 434 (2023: 375) against thresholds of 35 and 395 respectively. These results should be seen in the context of ScotRail having 5,293 staff and 81.1 million passenger journeys in the year. Variances are due to the passenger threshold being estimated on lower forecast passenger growth compared to actual. The staff results benchmark well against other operators.

SRT has now launched a new internal safety awareness campaign "Mindful vs Mind Full". This is aimed at raising awareness of the issues that can cause distractions to employees and reduce situational awareness, which are the largest causations of SRT's lost time injuries. For passengers, SRT has a customer campaign which is currently in place to support passengers in travelling safely on Scotland's railway and covers the main accident categories including, boarding and alighting trains safely, mind the gap, hold the handrail on escalators and stairs and stand clear of the closing doors. SRT are currently working through the next phase of the customer safety awareness campaign with a view of launching this in the coming months.

Following the tragic loss of life at Carmont in August 2020 SRT continued to work with Network Rail and the rest of the industry to implement the recommendations made by the Rail Accident Investigation Branch (RAIB) in its report into the incident from March 2022. SRT is a member of the multi stakeholder Scottish Carmont Vehicle Recommendation Steering Group which was established to directly inform and review the response in Scotland to the specific, train based, recommendations identified by the RAIB in their report. It enables the representatives of the staff who work on and maintain the HST fleet to engage with the operators and owners of the trains on those recommendations. SRT will be offering its full support in the Fatal Accident Inquiry which is expected to commence in 2025.

CSL

CSL manage safety risk through an embedded safety management system which includes an annual Safety and Security Plan. In addition, as the operations are significantly dependent on key suppliers, a key mitigation to risk is the assurance that CSL undertake on its supply chain. CSL have trained up a number of staff as lead auditors to assist in undertaking an assurance programme. In simple terms, this means enhanced skills within CSL's own teams which will allow an even greater level focus on key suppliers.

In 2023/24, CSL's Staff Lost Time Injuries resulting in absence was 2 (against a threshold of 3) and passenger accidents were 38 (against a threshold of 25). Passenger accidents related to minor injuries. These results should be seen in the context of CSL having 287 staff and 305,916 passenger journeys in the year.

As with SRT, one key area of focus for CSL is combatting anti-social behaviour to reduce the impact felt by front line colleagues. In order to ensure the safety of staff CSL is looking at additional mitigation measures and will trial the use of body worn video cameras (BWVC) which, if successful, CSL will look to introduce at a point in the future in full consultation with its onboard colleagues and their representatives.

CSL's proactive approach to safety is demonstrated through Leadership Tours and inspection schedules where the delivery performance was either on or ahead of target. Leadership Tours demonstrate a good level of engagement between management and front-line staff and are invaluable in understanding what safety and security issues that our colleagues are concerned about and where we can involve them in making improvements.

In addition, the Annual Recurring Training (ART) for all staff had safety and security at its core, with sessions devoted to conflict management and refresher training for the security protocols on board our trains and at stations with a reminder of personal safety and terrorist threat procedures.

Priority 2: Operational Performance

As noted in the section below on Financial Performance, passenger revenue increased from £265.5m to £351.4m during the year, driven by a growth in SRT's revenue and the addition of revenue from CSL. SRT's passenger journeys over the same period increased by 28% to 81.1 million passenger journeys (target 79.8 million journeys). CSL's passenger journeys for the year ended 31 March 2024 were 305,916 (target 265,417).

The Group uses several measures to track its operational performance against agreed targets, a selection of which are outlined below for each subsidiary. SRH plays a key role in monitoring progress against these targets and works with management to ensure continuous improvement is delivered.

As stated in the performance summary, this is the first year that CSL was brought into public ownership and therefore there are no comparatives for CSL's performance for the prior year.

Performance

Operational performance for SRT is measured through the industry-recognised public performance measure ('PPM'), called Scotland's Train Performance Measure (STPM), on a rolling 12 month moving annual average ('MAA') basis. It is achieved if a service reaches its final destination within four minutes and 59 seconds of its advertised time, having called at all timetabled stops, but relief is granted for PPM failures caused by blanket speed restrictions imposed due to heavy rain and any trains held for connections. For the year ended 31 March 2024, SRT's STPM PPM MAA was 89.9% (2023: 89.4%) against a target of 92.5%. Severe weather events in the last quarter of the financial year were a major contributing factor to the actual results being less than target.

Operational performance for CSL is measured by Right Time Performance, which is defined as the percentage of trains arriving 59 seconds late or less (i.e. early) at the final destination. For the year ended 31 March 2024, CSL's Right Time Performance was 87.24% against a target of 80%.

Customer Satisfaction

The Group actively tracks customer satisfaction scores. Customer satisfaction of Train Operating Companies is independently measured by Transport Focus.

During the year, SRT averaged 89% (2023: 90%) against a target of 90%. Although this was lower by one percentage point than the results recorded in the previous year, it compares favourably to the overall average for UK rail of 81% and with the figure achieved pre-pandemic by the previous operator of SRT's services of 85%. Customer complaints were 22 (2023: 24) per 100,000 journeys, again an improvement on equivalent pre-pandemic scores as well as on the results in the preceding year.

During the year, CSL delivered MAA for Guest Satisfaction of 3 stars and above for overall journey experience of 87% against a target of 85%. The MAA for complaints per 100 guests at the end of the year was 0.3.

Off-Peak All-Day Trial

During the year, the Group successfully launched the Scottish Government's Off-Peak All-Day fares trial in partnership with TS. The Pilot was somewhat successful in meeting the objectives of increasing awareness of rail and improving access but had minimal impacts on overall car travel and tended to benefit those on higher incomes within the Central Belt. What is clear, however, from the robust analysis undertaken, is that there was not a significant shift from car to rail use and there was limited impact in terms of meeting the First Minister's priorities for Scotland. Further detail on the evaluation of the Off-Peak All-Day trial can be found in the Final Evaluation Report published by TS at https://www.transport.gov.scot/publication/scotrail-peak-fares-removal-pilot-final-evaluation-report-august-2024/.

Priority 3: Developing SRH's Strategic Plan

SRH worked closely with TS during the year to develop strategic objectives. Since the year-end, SRH's strategic plan has been approved by both TS and Scottish Ministers, a copy of which is available per the following link https://railholdings.scot/latest/srh-strategic-plan/.

Our plan supports the delivery of the wider aims of the Scottish Government, including but not limited to the National Transport Strategy. Our purpose is to ensure that ScotRail and Caledonian Sleeper services connect people and places to help make Scotland a great place to live, work and visit. Through SRH's stewardship we will enable Scotland to have the best possible passenger rail services.

The strategic plan will be reviewed and refreshed annually.

Priority 4: Caledonian Sleeper Mobilisation

SRH facilitated the successful mobilisation of Caledonian Sleeper on 25 June 2023, bringing into public ownership the provision of overnight passenger rail services between London and Aberdeen, Edinburgh, Fort William, Glasgow and Inverness. By working closely with our CSL colleagues, TS, suppliers and customers, we ensured the robust and continued delivery of services throughout this transition period.

Priority 5: Fleet Strategy

By 2035 over 65% of the current SRT fleet will be life expired and require replacement to enable continued reliable operation of passenger services in Scotland. SRT operate a diverse fleet of 11 different classes of train, 9 of which make up this 65%, and the diversity of this fleet leads to several inefficiencies. There are also legislative climate change requirements, which rail will play an important part in achieving through modal shift and reduction in direct emissions.

CSL's locomotive and operation contract also expires in 2030, and strategic options beyond this require consideration which will also take into account the reliability and age of the current locomotive fleet.

SRH is therefore developing a fleet strategy in partnership with SRT, CSL, TS and Network Rail, to establish an integrated approach to fleet renewal, decarbonisation and depot investment. This strategy will seek to replace life expired trains, drive modal shift through improving passenger services and accessibility, optimise operating costs and decarbonise the railway.

To facilitate this, the overarching strategy envisages consolidating these 9 life-expiring SRT fleets into 3 distinct passenger fleets – Suburban, Intercity and Rural – in a progressive and deliverable manner. In addition, CSL's locomotives are considered as a fourth fleet.

Suburban Fleet

During the 2023/24 financial year the already established project team continued to develop the scope of the Suburban fleet procurement, which will replace older electric and diesel trains with a new fleet of electric and battery-electric trains. This is anticipated to include the procurement of rolling stock, technical support and spares, as well as the financing of the procurement. Any formal procurement process is contingent on approval of an Outline Business Case (OBC).

Intercity Fleet

Strategic options for the Intercity fleet were explored and developed in the 2023/24 financial year, with shortlisted options developed in conjunction with TS, SRT and Network Rail culminating in an OBC. An announcement was made by the Cabinet Secretary in September 2024 that a procurement to replace the HST fleet would commence shortly after.

Rural Fleet

It is anticipated that work on the rural fleet replacement plans will commence in the 2025/26 financial year as a whole industry exercise considering a range of rolling stock, service provision and infrastructure options.

CSL Fleet

Work is anticipated to commence in the 2024/25 financial year to consider the long-term strategic traction and rolling stock options, starting with a feasibility study.

Priority 6: Developing SRH and CSL Resource Plans

Our people are what enable SRH to deliver robust stewardship of passenger rail services in Scotland. SRH is reviewing and refining its optimal organisational structure, and additional resource requirements, to best address both current and future challenges. This work will continue through 2024/25 in close collaboration with TS and will consider how we best work together to deliver SRH's strategic and business objectives. SRH has now recruited a full complement of highly skilled non-executive directors, with 3 new non-executive directors joining the SRH Board in 2023/24. Post year end, SRH also successfully recruited 3 permanent executive directors including our new Chief Executive Officer, Hannah Ross, who joined SRH in September 2024, together with our new Finance Director, Campbell Davidson and General Counsel, Neil Amner.

CSL invested in developing its teams and internal systems to allow the elimination of reliance on outsourced shared services. This work will continue through 2024/25.

Priority 7: SRT and CSL Marketing and Branding

SRT has achieved the delivery of ScotRail's first year-round brand and marketing campaign for more than five years. The launch of a 'Station Spaces' brand through the bringing in-house of commercial property and advertising.

CSL developed a highly successful marketing campaign to increase winter patronage and revenue, and undertook development work on a new website which will drive revenue and significantly enhance CSL's online brand presence and guest experience.

Priority 8: New Flagship Lounge at Euston Station, London

CSL launched a new dedicated, fully accessible guest lounge at London Euston which had over 7,000 guest visits during the first three months of 2024/25.

Priorities 9, 10 and 11: Governance, Risk and Sustainability

Performance against Priorities 9, 10 and 11 are covered in the following sections:

- Governance - Review of Effectiveness section on page 36.
- Risk - Principal Key Risk and Uncertainties section on page 20.
- Sustainability - Sustainability section on page 24.

Financial Performance

SRH is the vehicle through which the Scottish Government funds Scottish passenger rail operations. The only receipts SRH received during the year was funding from the Scottish Government and, apart from its modest administrative expenses, it all flowed to SRT and CSL.

The Group's reported financial performance for the year ended 31 March 2024 shows net expenditure after interest and taxation of £784.3m (2023: £698.1m). The net increase in expenditure reflects the addition of the Caledonian Sleeper business to the Group from 25 June 2023, together with increases in SRT passenger revenue and other income, offset by increases in SRT staff costs and other operating expenditure.

Passenger revenue increased to £351.4m (2023: £265.5m). Much of the increase in passenger revenue was made possible because of a major recruitment drive in SRT, which improved SRT's ability to support customers, drive revenue, and deliver a more reliable service for passengers. The increase in staff costs for the year has partially offset the increase in revenue.

Other income increased to £36.5m (2023: £15.5m), primarily as a result of third-party capital grant income recognised on the completion of SRT fixed asset projects. These projects included leasehold improvements to Stirling and Motherwell stations, works relating to the rolling stock fleet, CCTV equipment and various assets for use by cyclists.

Key drivers of the increase in other operating expenditure to £835.5m (2023: £685.9m) were increased Network Rail charges and decreased compensation receipts, higher energy prices, increased train maintenance as the fleet ages and additional costs arising from restriction of station use due to planned maintenance and unforeseen circumstances. The increased Network Rail Fixed Track Access Charges (FTAC) are in accordance with control period 6 published rates adjusted for inflation. Compensation receipts in the preceding year were higher due to industrial action in Network Rail. Increases in energy prices had a net negative impact on the cost of Electrical Current For Traction (EC4T) for the fleet.

Grant in Aid received from the Scottish government during the year was £745.7m (2023: £700.9m) and is shown as a cash inflow on the Statement of Cash Flows on page 55.

The SRH Group has operated within the agreed budget allocation despite the challenging cost environment, extreme weather events and changing travel patterns. The Outturn Analysis table shown on page 19 shows the actual 2023/24 result compared to the budget allocation letters for that year.

Statement of Comprehensive Net Expenditure by Operating Segment

The Group's two subsidiary undertakings, SRT and, from June 2023, CSL are considered separate operating segments. Segmental reporting based on the Statement of Comprehensive Net Expenditure is reported as follows.

	SRH	SRT	CSL	Group Adjustments	Group
	23/24 £000	**23/24 £000**	**23/24 £000**	**23/24 £000**	**23/24 £000**
Passenger revenue	-	327,489	23,901	-	351,390
Other operating income	-	17,608	889	17,951	36,448
Government grant income	-	766,914	29,893	(796,807)	-
Total operating income		**1,112,011**	**54,683**	**(778,856)**	**387,838**
Staff costs	(1,934)	(318,070)	(10,334)	103	**(330,235)**
Other operating expenditure	(811,176)	(789,227)	(42,673)	807,604	**(835,472)**
Total operating expenditure	(813,110)	(1,107,297)	(53,007)	807,707	**(1,165,707)**
Net operating expenditure	**(813,110)**	**4,714**	**1,676**	**28,851**	**(777,869)**
Finance income	-	14	-	-	14
Finance expense	-	(4,848)	(1,695)	141	(6,402)
Comprehensive net expenditure after interest	**(813,110)**	**(120)**	**(19)**	**28,992**	**(784,257)**
Taxation	-	-	-	-	**-**
Comprehensive net expenditure after interest and taxation	**(813,110)**	**(120)**	**(19)**	**28,992**	**(784,257)**

The SRT and CSL accounts have been prepared in accordance with the Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101). The Group accounts are prepared in accordance with international accounting standards, as interpreted and adapted by the FReM. Other operating expenditure in the SRH company accounts includes £811m of grant payments to subsidiaries (of which £68.9m is accrued), that are removed as an intercompany adjustment for Group reporting.

Outturn Analysis

The Outturn Analysis is presented on a Group basis.

	Original Budget Allocation 23/24 £000	Revised Budget Allocation 23/24 £000	Actual 23/24 £000	Variance to Final £000
Budget Classification				
Resource (RDEL)	425,500	440,693	427,365	13,328
Capital (CDEL)	370,500	383,675	381,913	1,762
Operating Subtotal	**796,000**	**824,368**	**809,278**	**15,090**
Non-Cash (RfDEL)	2,500	2,500	5,195	(2,695)
AME Costs (AME)	570	4,517	2,860	1,657
Capital AME (CAME)	-	-	1,016	(1,016)
Lease Accounting Adjustments	256,650	91,065	75,247	15,818
Total	**1,055,720**	**922,450**	**893,596**	**28,854**

Due to a timing difference RDEL includes a lease payment of £8.6m SRT made in Period 13 of 22/23 that relates to Period 1 of 23/24.

CDEL includes third party capital grant income of £18.1m offset by £18.1m in expenditure. AME includes £1.0m of depreciation relating to assets funded by third party capital grant income.

Overall, the Group operated within the agreed revised budget allocation, requiring lower funding than anticipated despite a challenging cost environment. Highlights of the year were:

- Resource Department Expenditure Limit (RDEL) spend, being net expenditure excluding capital and depreciation, was £13.3m lower than the revised funding allocation. This was mainly driven by strong passenger revenue growth, in conjunction with managing new and emerging cost pressures.
- Capital Departmental Expenditure Limit (CDEL) relates to capital projects and Network Rail FTAC. The favourable variance of £1.8m resulted from less than budgeted spend on capital projects.
- Non-cash Ring-Fenced Departmental Expenditure Limit (RfDEL) spend related to depreciation of capitalised assets. Given the increase in heavy maintenance capitalised in the year compared to budget this drove higher depreciation, driving the unfavourable variance of £2.7m.
- Annually Managed Expenditure (AME), which related to other technical accounting adjustments, materially met the revised funding allocation.
- Capital Annually Managed Expenditure (CAME) relates to dilapidations on IFRS 16 Right-of-use (ROU) assets. This was not considered at the time of the revised budget allocation; therefore, the allocation was nil for this budget segment.

- Lease Accounting adjustments are in relation to IFRS 16 ROU assets. The favourable variance of £15.8m was primarily driven by the actual balance of leases capitalised in accordance with IFRS 16 being less than originally anticipated.

Summary to budget accounts reconciliation

Below is a reconciliation of the Group Statement of Comprehensive Net Expenditure (SoCNE) to the Group Outturn above.

	23/24
	£000
Net Operating Costs from SoCNE	**784,257**
Add: Additions to Plant, Property & Equipment (Note 7)	9,050
Add: Additions to Intangible Assets (Note 8)	2,332
Add: Additions to Right of Use (Note 16)	85,526
Add: Adjustments for assets funded by third party capital grant income	12,431
Outturn	**893,596**

Statement of Financial Position Analysis

At 31 March 2024 the Group had net liabilities of £33.3m (2023: net assets £2.8m). This was driven by a decrease in trade receivables owing from Network Rail for compensation receipts as there was no industrial action in the 2023/24 year, together with an increase in trade payables owing to Network Rail for FTAC as a result of inflation. A further contribution is the ongoing unwinding of the ROU lease assets in SRT.

Cash Balance

The Group had a cash balance of £63.8m at 31 March 2024 (2023: £67.9m). This was principally made up of the operating grant award paid by TS in advance of rail period one of the next financial year.

More detailed financial analysis can be found in the Accounts and the Notes to the Accounts on pages 53 to 85.

Principal Key Risks and Uncertainties

SRH has identified and assessed the key risks it faces, and these are captured on a strategic risk register which is reviewed by senior management, the Audit and Risk Committee and the Board. Each risk has been assigned an owner, and actions are taken to either manage or mitigate that risk to an acceptable level. Similar arrangements are operated by both SRT and CSL.

Management recognises, however, that improvements are needed to the processes currently in place to identify and manage risks to the delivery of the organisation's key objectives, business plans and targets. This work includes the preparation of a formal risk management strategy, including greater clarity on risk appetite, and improvements in arrangements for reviewing, managing, and reporting on risks. An Audit and Risk Manager was appointed in October 2024 whose tasks include progressing these improvements.

Several principal risks facing the Group were identified by the Board during the year and are detailed below. SRH continues to operate in an uncertain environment impacted by a sizable number of risks and challenging events which could individually, or in aggregate, negatively impact on our performance. Our principal risks and uncertainties (those material to the development, performance, position, or prospects of the entity) have been assessed in accordance with the risk framework and methodology outlined above. For each of these risks, we have responded by implementing a range of management arrangements designed to mitigate the risk. Some of the factors we are currently monitoring, how we have responded to these issues and, where relevant, any further actions planned are outlined below.

Strategic / Governance

As a still relatively new public body, we recognise that our governance arrangements are still evolving and require further improvements to ensure we can more effectively monitor and demonstrate we are achieving our strategic objectives and ensuring compliance with the Framework Agreement and subsidiary Grant Agreements and governance best practice. SRH has also recognised that capacity issues at both Board and senior management levels were impacting effectiveness.

How do we manage this issue and what further actions do we intend to progress?

SRH operate a range of governance arrangements designed to ensure we comply with the Framework Agreement and the detailed requirements of the Scottish Public Finance Manual. This includes regular reviews of both financial and operational performance and challenge and oversight of SRH senior management by the SRH Board. Arrangements are also in place to ensure appropriate SRH oversight of SRT and CSL. There are also several mechanisms where senior management of all relevant bodies, including key external partners, meet to discuss performance and any issues arising. Regular meetings are also held with TS. Since the Statement of Financial Position date, SRH has also approved a new Strategic Plan covering the period 2024-2029 and has an associated draft annual business plan. These documents will be reviewed and updated on an ongoing basis.

Capacity issues are also being addressed. SRH successfully recruited and filled three key senior executive vacancies post year end, including a new Chief Executive Officer, a new Finance Director and a new General Counsel. Additional staffing needs have been identified and are being actively progressed.

The SRH Board has recently commissioned a review of SRH's wider governance arrangements to identify improvements that can be made to strengthen the governance arrangements in place.

CSL is continuing its ongoing programme to replace services, and back-office systems currently utilised as part of a transitional agreement with the previous franchisee, Serco, work which the management considers critical to its future success and business continuity. This is being progressed via a programme team and governance structure which includes oversight by a Steering Group and regular Board reporting.

Financial

A range of factors including high inflation, changing patterns of demand for rail travel including the impact of hybrid working and uncertainty about future demand, future cost pressures, future income levels and future levels of grant provided by TS means we face challenges to ensure required service levels are delivered efficiently within the approved budget allocation.

How do we manage this issue and what further actions do we intend to progress?

We closely monitor financial performance with robust and regular monitoring processes in place to provide early warnings of potential adverse budget variances. This includes regular Board reviews of costs and income versus budget and monthly meetings that are attended by TS. Whilst we are not immune to general inflationary pressures, we operate a range of different measures designed to control and mitigate costs, where we can reasonably do so. Both SRT and CSL undertake significant marketing and promotional activity designed to stimulate additional demand for rail travel and to secure passenger and revenue growth.

Operational – rolling stock

The successful delivery of planned service provision by SRT and CSL is highly dependent on having sufficient, appropriate and reliable rolling stock.

How do we manage this issue and what further actions do we intend to progress?

Having sufficient, appropriate and reliable rolling stock is vital to being able to deliver current and future planned service provision. SRT and CSL have well developed arrangements for maintaining their current fleets, but there are significant challenges with 65% percent of SRT's existing fleet reaching the end of their operational lifespan by 2035 and CSL's locomotive and operation contract expiring in 2030. Recognising this, significant effort is currently being put into developing a fleet strategy, in partnership with key stakeholders, to establish an integrated and financially sustainable approach to fleet renewal, decarbonisation and depot investment. More details are available under the Priority 5 section on page 15.

CSL has also been impacted by the need to withdraw 8 of its 75 coaches from service from the start of January 2024 due to a design defect that has resulted in some car body cracking. The remaining coaches are subject to an ongoing inspection regime to ensure they are unaffected. If additional coaches are identified as suffering from the same issue and are required to be withdrawn from services, this will impact CSL's capacity and potentially the ability to operate services to all planned destinations. The main mitigation to this risk is ongoing work with the manufacturer to design and implement an appropriate solution, which will allow affected coaches to be safely reintroduced into service while a permanent design solution is developed for the full fleet.

Operational – staffing

The achievement of SRH's objectives and the successful delivery of planned service provision by SRT and CSL is highly dependent on having sufficient and appropriately skilled staff available to work.

How do we manage this issue and what further actions do we intend to progress?

Both SRT and CSL recognise the importance of having sufficient and appropriately skilled staff. Whilst there remain ongoing challenges given the current age profile of the workforce and the lead times to train drivers in particular, SRT has an active recruitment programme in place and maintains active dialogue with its recognised trade unions, supplemented by an approved Workforce Planning strategy. Both CSL and SRT are committed to ongoing staff development and ensuring that staff have access to appropriate training. Both also have arrangements in place to maximise attendance by supporting the health and wellbeing of staff and adopting appropriate absence management arrangements.

Disruption to the provision of rail services arising from industrial action also poses a risk to the Group. Constructive trade union relations are one reason for the Group's success in 2023/24, with SRT and CSL being amongst the few railway operators to have no customer-impacting industrial action during that financial year. SRT and CSL work closely with trade unions and meet regularly to discuss a range of issues, including pay, safety and security, revenue, recruitment, and more.

After year end, on 10 July 2024, a temporary timetable was introduced by SRT as a result of the impact of fewer train drivers than normal being available for overtime or rest day working. With a pay deal agreed, ScotRail restored the full timetable on 7 October 2024.

Operational – health and safety

SRT's and CSL's operations are managed to mitigate exposure to a wide range of health and safety and environmental risks. This takes account of specific rail safety regulation and more general Health and Safety Legislation.

How do we manage this issue and what further actions do we intend to progress?

SRT and CSL have legal responsibility for and put the highest of priorities on health and safety of passengers, staff and the wider public.

Both SRT and CSL have extensive safety management systems in place and have arrangements to regularly and routinely scrutinise their health and safety delivery, performance and risks and control measures and to initiate any actions accordingly. SRT and CSL have senior executive committees focused on health and safety delivery and all levels of the organisations are engaged in supervision and continuous improvement initiatives. Both SRT and CSL have and will continue to develop committed and time-based work plans to deliver this. The Boards in SRT and CSL have established Safety, Health and Environment (SHE) Committees, chaired and attended by non-executive directors as well as senior executives that review the effectiveness of the arrangements for managing the SHE performance and which report to the respective Boards accordingly.

The rail industry is a highly regulated industry and is supervised by the Office of Road and Rail whose annual reports and inspections of both SRT and CSL have been positive.

Please refer to the non-financial performance section *Priority 1: Safety of our Customers and Staff* on page 12 for more detail on performance and mitigation measures.

Refer to the Environmental section on page 24 for information on environmental matters.

Operational – reliance on partners and external suppliers

Parts of SRT's and CSL's service delivery are necessarily highly dependent on the performance of partners (e.g. Network Rail) or third-party suppliers.

How do we manage this issue and what further actions do we intend to progress?

We manage this issue by ensuring we have effective contract and supplier management arrangements and regular dialogue with key partners and suppliers. SRT's Procurement and Contracts team also works to diversify suppliers through robust procurement programmes and establish strong relationships with key suppliers to ensure timely delivery and support. Since joining the Group, CSL have also put in place robust procedures to manage public procurement and contract management activities, have allocated resources to undertake a programme of supplier audits, and are developing supplier assurance strategies for key suppliers.

Resilience and business continuity

Major operational or resilience failure could result in business interruption. More broadly, an inability to effectively respond to large, disruptive external events like extreme weather or infrastructure failures could also impact SRT and CSL performance.

How do we manage this issue and what further actions do we intend to progress?

SRH and both SRT and CSL have a range of business continuity, disaster recovery and emergency response plans in place which are regularly reviewed. The Group engages with the National Security Protocols Programme (NRSP) and with other associated bodies to maintain a high level of alert against exposure to major disruption.

Increasingly severe weather events such as floods, storms, and heatwaves can damage tracks, bridges, and signalling systems, leading to service disruption. As part of Scotland's Railway Alliance, the Group works closely with Network Rail Scotland to ensure that challenges and vulnerabilities associated with infrastructure are well understood and form part of Network Rail's strategic plans. The Group also engages with Network Rail at a national level and across the other regions involved in our service delivery to ensure our interests are represented. More detail on the Group's actions around climate change are set out in the Sustainability section.

Cyber and information security risks

Cyber security threats are constantly evolving and continue to represent a serious risk to public infrastructure and services. A significant or wide-reaching data breach or cyber-attack could result in legal exposure including significant fines, and potentially cause significant business disruption to SRH's and/or SRT's and/or CSL's operations.

How do we manage this issue and what further actions do we intend to progress?

The Group recognises that human or technical security vulnerabilities may be exploited to gain access to passwords, company/group and/or personal data, disrupt Group operations or misappropriate monies and that these are key areas that our internal controls need to address. To mitigate this risk, the Group will seek to improve and strengthen its Information Security capability. These qualified professional teams collaborate with all areas of the business to ensure that best practice is followed in respect of information security and cyber security threats and that appropriate controls are in operation to address this key business risk area.

Environmental and Social Matters

Sustainability

The Group has a major role in Scottish Government plans for sustainable inclusive growth and delivering a target of net zero emissions by 2045. The Group is committed to supporting these targets by setting its own science-based carbon targets. The Group is a key stakeholder in Scotland's Railway Sustainability Strategy including the governance and delivery of planned outcomes.

We are committed to continually improving environmental and energy performance, whilst minimising pollution and recognising our role in supporting the delivery of the Scottish Government's emission reduction targets.

During the year, the Group continues to reduce the environmental impact of its operations in the short and medium term while progressing the long-term goal to deliver net zero passenger rail services for Scotland. We maintain externally certified environmental and energy management systems. These systems contribute to Scotland's Railway Sustainability Strategy developed by Network Rail in partnership with SRT and CSL.

Key initiatives and achievements by SRT and CSL are summarised below.

SRT

- Continued certification to environmental management standards - ISO 14001 Environmental Management and ISO 50001 Energy Management.
- Introduced electric powered services on the Glasgow to Barrhead route.
- Continued to collaborate with TS and Network Rail on the well-advanced plans to decarbonise the Glasgow to East Kilbride route.
- Increased digitalisation of the customer experience: digital barcode tickets now account for 36% of all journeys.
- Bathgate and Motherwell station LED trials achieved savings of approximately 20%.
- Completed design activities to move Motherwell station heating system from a gas boiler to air source heat pump.
- Completed a trial of solar powered LED car park lighting at Robroyston station.
- Completed digital twin assessment of key stations and depots to target further energy reduction initiatives and opportunities to eliminate fossil fuels.
- Continuing to progress the new trains project, which will support the Scottish Government's rail decarbonisation program.

CSL

- Contributes positively to the Scottish Government's net zero by 2045 target by providing passengers with an opportunity to undertake a modal shift from private car use and domestic flights to connect London with key Scottish locations.
- The fleet operates on a bi-modal system, utilising electricity wherever possible and diesel where this is not. Generally, all routes south of the central belt of Scotland operate using electricity and for routes between the central belt and our northern destinations, diesel is utilised as the fuel source. CSL continues to support the electrification of the whole network and evaluate options for its future locomotive strategy which would allow CSL to eliminate the requirement for diesel as a fuel source.
- Streamlined energy and carbon reporting from when it became a public sector operation and is developing a longer-term Environmental strategy.

Task Force on Climate-Related Financial Disclosures ('TCFD')

HM Treasury recently published the Task Force on Climate-related Financial Disclosures (TCFD) aligned disclosure guidance. The guidance interprets and adapts the climate-related financial disclosures framework for the UK public sector.

Given the recent nature of the publication and to the extent that 2023/24 is being seen as a transitional period, the Group is in the process of putting arrangements in place to gather the required information for reporting in 2024/25. We note that the material greenhouse gas emissions in the Group relate to SRT and these, together with the phase one TCFD-aligned disclosures, have been reported in the SRT 2023/24 annual accounts. Please refer to these accounts for further details.

Anti-bribery and corruption

The Group has a zero-tolerance approach towards bribery and corruption. This extends to all our employees, Board members, and third parties, irrespective of financial values involved. The Group has implemented policies relating to bribery and corruption.

Social matters and human rights

The Group adopts a zero-tolerance approach to compromising human rights, including human trafficking, slavery, and forced labour. The Group is committed to taking all reasonably practicable steps to ensure that human trafficking, slavery, and forced labour are not present in our business, processes, and supply chains.

The Group expects the same standards from all those it works with including consultants, contractors, suppliers, and third-party representatives working on behalf of the Group. The Group is committed to working with its suppliers to ensure that human trafficking, slavery, and forced labour risks are identified and managed proactively.

Hannah Ross

Hannah Ross
Chief Executive Officer, Scottish Rail Holdings Limited

12 December 2024

Accountability Report

The purpose of the Accountability Report is to meet key accountability requirements, in alignment with the FReM (Government Financial Reporting Manual 2023-24). The following are included in the Accountability Report:

- Corporate Governance report
- Remuneration and Staff Report
- Parliamentary Accountability Report

Corporate Governance Report

In alignment with the FReM (Government Financial Reporting Manual 2023-24), the annual report includes a Corporate Governance Report. It comprises the Directors' Report, the Statement of Accountable Officer's Responsibilities and the Governance Statement.

This Corporate Governance Report is intended to provide an understanding of the Group's governance procedures and demonstrate how the Group seeks to adhere to the principles of good corporate governance where appropriate for their size and operation.

Directors' Report

The Directors present their annual report, business review and the audited consolidated report and accounts for the year ended 31 March 2024.

Principal Activities

The principal activity of the SRH Group, which is owned by, and works on behalf of, the Scottish Ministers acting through TS, is to provide governance, support, direction and management for previously franchised train operations in Scotland. These operations moved into government ownership in accordance with Section 30 of the Railways Act 1993, in a transfer facilitated by TS.

SRH has two wholly owned subsidiaries, SRT and CSL. The principal activity of SRT is the provision of passenger rail services throughout Scotland and the principal activity of CSL is the provision of overnight passenger rail services between London and Aberdeen, Edinburgh, Fort William, Glasgow and Inverness.

SRH History

SRH was established under the Companies Act 2006 as a company limited by shares wholly owned by the Scottish Ministers acting through TS.

SRH was set up with the purpose of managing any operating companies required to discharge the Scottish Ministers' duties under Section 30 of the Railways Act 1993.

SRH is the holding company of the group of Scotland's passenger Train Operating Companies (TOCs). It provides an interface between TS, as strategic policymakers, and the operational oversight of passenger rail services delivered by SRT and CSL.

The businesses of SRT and CSL were brought under Scottish Government control on 1 April 2022 and 25 June 2023 respectively.

The relationship between SRH and the Scottish Government is set out in a Framework Agreement with the Scottish Ministers acting through TS. There are also separate Grant Agreements between SRH, the Scottish Ministers and SRT and CSL for the provision of the relevant rail passenger services and oversight by SRH and TS.

Board

An efficient Board structure requires a balance of skills, backgrounds, experience, and knowledge. Each Director is required to make a valuable individual contribution. SRH is fortunate to have an experienced, skilled, and committed Board of Directors. Short biographies of the Chair, Executive Directors and Non-Executive Directors are published on the SRH website https://railholdings.scot/our-people/.

A detailed table of all the changes in directors throughout the period and up to the date of signing the accounts, is shown on page 29.

Results and Dividend

The Group's reported financial performance for the year ended 31 March 2024 shows net expenditure after interest and taxation of £784.3m (2023: £698.1m). Grant in Aid received from the Scottish government during the year was £745.7m (2023: £700.9m) and is shown as a cash inflow on the Statement of Cash Flows on page 55.

No dividend will be paid by SRH due to the nature of the financial arrangement with the shareholder, Scottish Ministers. SRT and CSL did not pay out any dividends in the year or since.

Directors

The Directors of SRH who were in office during the period and up to the date of signing the accounts are listed below:

Non-Executive Chair	Richard Cairns	Appointed 1 April 2023
Chief Executive Officer & Accountable Officer	Hannah Ross	Appointed 23 September 2024
	Graeme Cook (Interim)	Appointed 27 June 2024 Resigned as CEO 23 September 2024
	David Lowrie (Interim)	Resigned 28 June 2024
Other Executive Directors		
Chief Financial Officer	David Lowrie	Resigned 28 June 2024
Interim Chief Operating Officer	Graeme Cook	Appointed as COO 23 September 2024
Rail Business Director	John MacQuarrie	Appointed 18 August 2022
Finance Director	Campbell Davidson	Appointed 27 June 2024
Company Secretary & General Counsel	Emma J. Dixon	Resigned 31 May 2024
	Neil Amner	Appointed 20 November 2024
Non-Executive Directors	Rozanne Foyer	Appointed 26 May 2022
	Carolyn Griffiths	Appointed 1 April 2023
	Brian E. Baverstock	Appointed 1 August 2023
	James L Shedden	Resigned 1 August 2023

Company Secretary

The Company Secretaries in office during the year and up to the date of signing the accounts were:

Emma J. Dixon (resigned 31 May 2024)
Brodies Secretarial Services Limited (appointed 31 May 2024) (resigned 20 November 2024)
Neil Amner (appointed 20 November 2024)

Directors' Attendance at Board meetings

Attendance at Board meetings from 1 April 2023 to 31 March 2024 is shown in the table below:

Name	Attended	Invited
Richard Cairns	12	12
Emma J. Dixon	11	12
Rozanne Foyer	8	12
David Lowrie	12	12
John MacQuarrie	11	12
Brian Baverstock	7	8
Carolyn Griffiths	12	12
James L. Shedden	2	4
Graeme Cook	-	-
Campbell Davidson	-	-
Hannah Ross	-	-
Neil Amner	-	-

Graeme Cook, Hannah Ross and Neil Amner were appointed on or after 1 April 2024 so were neither invited to, nor attended, any meetings in the period. Campbell Davidson attended Board meetings as an attendee in his role as Financial Controller, however he was not appointed as a director until 27 June 2024, therefore did not attend any meetings in the period in a director capacity.

Conflicts of Interest Procedures

Procedures are in place to ensure Directors comply with their duties in relation to conflicts of interest. Board Directors are obliged to provide details of any direct or indirect interests that conflict with, or may conflict with, SRH's interests. These are recorded on the Register of Interests which is published on the SRH website at https://railholdings.scot/latest/srh-board-of-directors-register-of-interests-2023-to-24/.

At the start of every Board and Committee meeting the Chair asks for any conflicts of interests with agenda items to be declared. Declared conflicts or potential conflicts are recorded in the meeting minutes.

SRH Subcommittees

Audit & Risk Committee

SRH has established an Audit and Risk Committee (ARC) to monitor issues of risk, control, and governance and associated assurance through a process of constructive challenge. The ARC monitors and reports to the Board on the planned activity and results of both internal and external audit, including the adequacy of management response to issues identified by audit activity. The ARC also reviews the accounting policies, the accounts and annual report of the organisation. The ARC was chaired by the non-executive directors James L Shedden up to 31 July 2023, and by Brian Baverstock from 1 August 2023. The Committee formally reports to the Board after each meeting.

The ARC met twice (in May and December 2023) in the year to 31 March 2024 with a number of matters relating to risk, control and governance instead being considered directly by the Board. It is recognised that this frequency of ARC meetings needs to increase to strengthen our governance arrangements, and it is intended that the ARC will meet a minimum of four times each year in future.

SRH did not operate an Internal Audit function during 2023/24, which it recognises is needed to strengthen governance arrangements in line with best practice. An Audit and Risk Manager was appointed in October 2024 with a key task to ensure that appropriate internal audit coverage is procured and delivered in future. Business requirements and detailed service specifications are currently being finalised prior to invitation to tenders being issued.

Nominations and Remuneration Committee

SRH has established a Nominations and Remuneration Committee as a Committee of the Board to support in their responsibilities regarding remuneration, performance and appointments. The purpose of the Committee, on behalf of the SRH Board and the Accountable Officer, is to consider the remuneration of the SRH Board and senior staff, and to take an overview of any remuneration issues. The Committee will ensure compliance with the relevant sections on pay and performance in the Framework Agreement and the Scottish Public Finance Manual, including adherence to Scottish Government pay policies.

The Committee comprises of the SRH Chair, Chief Executive Officer, Finance Director, Company Secretary and two non-executive directors, one of which acts as Chair for the Committee. The Committee will normally meet as business requires, timed to inform pay considerations in line with Scottish Government pay policy timelines. The Chair of the Committee may convene additional meetings as they deem necessary. The Committee formally reports in writing to the Board after each meeting.

Supplier Pay Policy

The Group, like other public sector organisations, is bound by the Late Payments of Commercial Debts (Interest) Act 1998, which requires payment to be made within 30 days of receipt of a valid invoice, or any other period the contract terms may specify. It is our policy to agree terms of payment when orders for goods and services are placed and adhere to those arrangements. In addition, it is our policy, where possible, to comply with the Scottish Government's target of making payment of authorised invoices within 10 days of receipt. At this point in time, SRH does not have sufficient systems to capture the compliance rate for the Group. Given the recent addition of CSL to the Group we are currently reviewing how best to capture this data in the most efficient way going forward.

Political and Charitable Donations

There were no political or charitable donations made during the year (2023: £nil).

Amounts Payable to Auditor for Non-Audit Work

Fees payable for non-audit services provided by the appointed auditor for the year ended 31 March 2024 were £nil (2023: £nil).

Freedom of Information

The Freedom of Information (Scotland) Act 2002 came into full force in January 2005. Members of the public can make a request to see information held by SRH. In the year ended 31 March 2024, we received and responded to 11 Freedom of Information requests (2023: 26). There were no requests (2023: nil) for a review of a response and there were 2 referrals (2023: nil) of SRH to the Scottish Information Commissioner (SIC). The two referrals are currently active and are with the SIC for action.

Personal Data Incidents

There were no (2023: nil) personal data related incidents and consequently none were required to be formally reported to the Information Commissioner's Office.

Other Disclosures

There are no other disclosures promulgated by HM Treasury Public Expenditure System (PES) papers.

Going Concern

The directors believe the Group is a going concern for the following reasons:

- SRH was established by, and is wholly owned by, the Scottish Ministers acting through TS in connection with the exercise of their statutory duties. As such SRH is underwritten by the financial security of the Scottish Government.
- The Directors have no knowledge of any changes planned to the current arrangements.
- The expected automatic extension of the SRT Grant Agreement to 31 March 2032 and the CSL Grant Agreement to 25 June 2033 provides the SRH Group with additional assurance and stability over its operations. Refer to 1.21 Critical Accounting Judgements and Key Sources of Estimation Uncertainty 'SRT and CSL Grant Agreement Terms' on page 66, for further detail.

Accordingly, the accounts have been prepared on the going concern basis.

Indemnification of Directors and Officers

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

Statement as to Disclosure to Auditors

Scottish Ministers have determined that the accounts of SRH shall be audited by the Auditor General for Scotland. The Auditor General for Scotland has appointed Audit Scotland to undertake the audit for the year ended 31 March 2024.

The directors present their report and the audited accounts for the year ended 31 March 2024. These accounts have been prepared in accordance with a form directed by the Scottish Ministers.

The accounts on pages 53 to 85 were approved by the Board on 12 December 2024 and signed by Hannah Ross as Accountable Officer.

Governance Statement

Governance Framework

The Accountable Officer has responsibility for maintaining a governance framework which supports the achievements of SRH's strategic aims and objectives, and the Scottish Government's primary purpose of increasing sustainable economic growth by aligning its aims and objectives with the Programme for Government, Scotland's Economic Strategy and National Performance Framework. The Accountable Officer has specific responsibility in relation to:

- Best value for money, including the concepts of corporate governance and continuous improvement;
- Planning, performance management and monitoring;
- Advising the SRH Board;
- Managing risk and resources; and
- Accounting for SRH's activities.

SRH's primary constitutional document is its articles of association. In addition, the Framework Agreement sets out the broad framework within which SRH and its subsidiaries operate. The Framework Agreement is an agreement between SRH and the Scottish Ministers that defines SRH's purpose, objectives, funding and obligations. SRH's code of governance sets out its Board code of conduct, scheme of delegation, Board terms of reference and Board subcommittees terms of reference.

Directors are collectively responsible for the overall strategic direction of the SRH Group and for monitoring its performance. SRH is governed by the Board, which currently meets at least ten times a year. The Board comprises five executive directors and four non-executive directors.

SRH recognises the importance of good corporate governance and demonstrating high standards of corporate governance at all times.

The SRH Scheme of Delegation sets out the matters which are reserved to the Board and those which have been delegated to the Chief Executive Officer.

Matters reserved to the Board are to:

- Set the strategic aims and objectives for SRH;
- Approve the Corporate Plan and the Governance Framework;
- Ensure that the Board receives and reviews regular reports monitoring the delivery of SRH's activity including regular financial and performance information concerning the management and performance of the organisation and the delivery of outcomes;
- Receive assurance that SRH has discharged its statutory functions;
- Promote the efficient, economic and effective use of resources by the organisation consistent with the principles of Best Value;
- Take account of relevant guidance issued by the Scottish Ministers;
- Approve the annual report and accounts and ensure that Scottish Ministers are provided with the annual report and accounts to be laid before the Scottish Parliament;
- Demonstrate high standards of corporate governance at all times, including openness and transparency in its decision making.

The main governance and assurance committees constituted by the Board are the ARC and the Nominations and Remuneration Committee. Details of these committees and of the directors' attendance at the Board meetings can be found in the Directors' Report on pages 30 to 31.

Risk Management Arrangements

SRH has identified and assessed key risks it faces, and these are captured on a strategic risk register which is reviewed by both senior management and the Board. Formal risk management arrangements were developed further throughout the year 2023/24 and up to the date of signing the accounts. As SRH is in the second year of operation these arrangements are still evolving.

The principal and emerging risks are evaluated by the ARC as detailed on page 30 the Directors' Report. More detail on the risks themselves is given in the Performance Report on page 20.

Regular monitoring, review and assurance is achieved through the regular Board and subcommittee meetings. The following information is provided at the regular Board meetings: Chief Executive Officer's executive summary, SRH Group operational and performance update, SRH Group finance update, and a communications update.

Key Risks

Throughout the 2023/24 financial year SRH continued to identify and manage corporate risks. The most significant risks identified are listed in the Performance Overview on page 10 and detailed in the Performance Analysis on page 20.

Significant Issues

- SRH senior management have confirmed that they considered that generally adequate corporate governance arrangements and financial controls were in operation within SRH during 2023/24.
- However, SRH remains a relatively new public body and one that has experienced changes in senior personnel. Consequently, senior management also acknowledge that some aspects of the governance arrangements in place in the year to 31 March 2024 are not fully developed and require progress during 2024/25. These are detailed in the Review of Effectiveness section on page 36.
- SRH has identified and assessed key risks it faces in line with the arrangements outlined above, and these are captured on a strategic risk register which is reviewed by senior management, the Audit and Risk Committee and the Board. Management recognises, however, that improvements are needed to the processes currently in place to identify and manage risks to the delivery of the organisation's key objectives, business plans and targets. This work, which is currently being progressed, includes the preparation of a formal risk management strategy, including greater clarity on risk appetite, and improvements in arrangements for reviewing, managing, and reporting on risks.
- The SRH Audit and Risk Committee met twice during 2023/24 and our review of effectiveness of our governance arrangements on page 36 identified a need for improvements including establishing effective Internal Audit arrangements providing independent assurance on SRH's (and the wider Group's) risk management, governance and internal control arrangements (relevant actions now being progressed following recent staffing appointment),

and ensuring that the SRH ARC meets more regularly to allow it to more effectively discharge its role and responsibilities.

Information Governance

There have been no significant lapses of data security during the year ended 31 March 2024.

The Governance Statement relates to the systems that have been in place for the year under review and up to the date of the approval of the annual report and accounts. SRH management are considering what further arrangements might be required to be put in place to support good governance of the railways in Scotland, based on the developing role and responsibilities of SRH as the parent company. There have been no significant events in the period up to the date of approval of the Annual Report and Accounts.

Review of Effectiveness

To support the review of the adequacy and effectiveness of SRH's governance arrangements and the preparation of the Annual Governance Statement, the Accountable Officer and SRH senior management jointly reviewed the governance arrangements in place during 2023/24 and completed year-end good governance assurance certificates supported by a checklist based on guidance contained within the Scottish Public Finance Manual.

This requires senior managers to review various aspects of SRH's management arrangements including risk management, business planning, financial management, project management, procurement, human resources, information security/management and train operating health and safety arrangements, and advise of any specific issues which might need to be identified in the Annual Governance Statement.

Arising from this process, SRH senior management have confirmed that they considered that generally adequate corporate governance arrangements and financial controls were in operation within SRH during 2023/24.

However, SRH remains a relatively new public body and one that has experienced changes in senior personnel. Consequently, senior management also acknowledge that some aspects of the governance arrangements in place in the year to 31 March 2024 could be improved and requires progress during 2024/25. This includes the need to address the following issues:

- As at 31 March 2024, preparing a formal Strategic Plan (now completed and will be refreshed annually) and an associated Annual Business Plan (now in draft) and implementing actions arising from these.

- Progressing improvements to ensure a more consistent and systemic approach across the Group to risk identification, assessment, mitigation and reporting (work now underway following recent staffing appointment).

- Establishing effective Internal Audit arrangements providing independent assurance on SRH's (and the wider Group's) risk management, governance and internal control arrangements (relevant actions now being progressed following recent staffing appointment). We will also ensure that the SRH ARC meets more regularly to effectively discharge its role and responsibilities.

- Reviewing existing arrangements to ensure SRH's approach to information security, data protection and records management is consistent with best practice (work expected to commence shortly following recent staffing appointment).
- Progressing a range of organisational improvements to ensure SRH has the right organisational structures and sufficient staff with appropriate skills and capacity to deliver against our objectives (actions underway and ongoing).
- Continuing to develop and further embed arrangements in place for monitoring and reporting on progress implementing our recently approved Strategic Plan and draft Annual Business Plan, including improving arrangements designed to monitor compliance by SRH with the Framework Agreement and by SRT and CSL with the respective Grant Agreements (actions underway and ongoing).
- Establishing a framework setting out formally how SRH (and the wider Group) will deliver against the Best Value duty to secure continuous improvement in the performance of the organisations' objectives (actions not yet started).

During 2023/24, the SRH Board also agreed to undertake a wide-ranging review of SRH's current governance arrangements. This includes reviewing current governance and organisational structures, roles and responsibilities and delegated authority arrangements. It also includes consideration of governance arrangements designed to support delivery of the Framework Agreement and the associated Grant Agreements. This work is currently underway, with the results of this review and any recommendations arising expected to be presented to the Board for their consideration in early 2025.

In future years, we also expect the review of effectiveness of our governance arrangements to be informed by the work and annual opinion of our Internal Audit function. An Audit and Risk Manager was appointed in October 2024 with a key task to ensure that appropriate internal audit coverage is procured and delivered in future, which will include the provision of an annual opinion by Internal Audit on SRH's risk management, governance and internal control arrangements. In lieu of a formal internal audit programme in the parent company SRH for 2023/24, the SRH ARC approved in October 2024 a proposal that the newly appointed Audit and Risk Manager undertake some limited substantive testing of a sample of transactions across key financial processes to provide some limited additional and independent assurance on these activities. That work has since been completed with no significant issues arising which merit disclosure in the Annual Governance Statement.

Statement of the Accountable Officer's Responsibility

The following statement outlines the Accountable Officer's responsibilities in respect of the Annual Report and Accounts.

Under the Public Finance and Accountability (Scotland) Act 2000, the Scottish Government has appointed the Chief Executive Officer as Accountable Officer of the SRH Group. The responsibilities of an Accountable Officer include personal responsibility for the propriety and regularity of the finances under their stewardship and for the economic, efficient and effective use of all related resources. This includes compliance with relevant guidance issued by Scottish Ministers, in particular the Scottish Public Finance Manual, the Framework Agreement defining the key roles and responsibilities which underpin the relationship between SRH and the Scottish Government, and the Financial Memorandum set out in the Framework Agreement.

Under the Public Finance and Accountability Act (Scotland) 2000 the Accountable Officer must not approve the accounts unless they are satisfied that they have been prepared on an accruals basis, and that they give a true and fair view of the state of affairs of SRH and of its income and expenditure, Statement of Financial Position, and cash flows for the financial period. In approving the accounts, the Accountable Officer is required to:

- Observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable, relevant, prudent and reliable.
- State whether they have been prepared in accordance with UK-adopted international accounting standards, and, where appropriate, as interpreted and adapted by FReM, together with Accounts Directions applicable to the period issued by the Scottish Ministers.
- Assess the Group and SRH's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate the Group or SRH or to cease operations or have no realistic alternative but to do so.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced, and understandable.

The Accountable Officer is responsible for ensuring the keeping of adequate accounting records that are sufficient to show and explain SRH's transactions and disclose with reasonable accuracy at any time the financial position of SRH and enable them to ensure that its accounts comply with the FReM and Accounts Direction applicable to the period issued by the Scottish Ministers (a copy of the Accounts Direction is included at Appendix One). The Accountable Officer is responsible for such internal controls as they determine necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Accountable Officer is responsible for the maintenance and integrity of the corporate and financial information included on the SRH website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Accountable Officer considers the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy.

These accounts have been prepared in accordance with international accounting standards, as interpreted and adapted by the FReM.

Where there is a choice of accounting policy, the one judged to be most appropriate to the particular circumstances of SRH for the purpose of giving a true and fair view has been selected. They have been applied consistently to items that are considered material to the accounts.

As Accountable Officer, I have taken all the steps that I should have taken to make myself aware of any relevant audit information and to establish that SRH's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

The accounts on pages 53 to 85 were approved by the Board on 12 December 2024 and signed by me, as the Accountable Officer.

Remuneration and Staff Report

Within the Group, the vast majority of the staff are employed by SRT and CSL. Details can be found in the published accounts of these companies. Where the following sections contain references to staff remuneration and numbers, these are limited to SRH staff only.

Remuneration Policy

SRH has an established Nominations & Remuneration Committee as a Committee of the Board to support in their responsibilities regarding remuneration, performance, and appointments. The pay and incentive structures for senior management across the Group, including the Directors of SRH, will be considered by this Committee.

The Committee aims to ensure compliance with the relevant sections on pay and performance as outlined in the Framework Agreement and the Scottish Public Finance Manual, ensuring adherence to Scottish Government pay policies.

For all other employees included within the Main Bargaining Unit, SRH submits a pay remit to the Scottish Government (normally annually, unless a multi-year deal has been agreed), which is within the terms and conditions set out in the Scottish Government's Public Sector Pay Guidance. Once approved, the proposal is implemented in accordance with the remit.

Statistical Data and Analysis

All information disclosed in the tables in this Remuneration Report are subject to audit by the external auditors. The other sections of the Remuneration Report have been reviewed by the external auditors to ensure that they are consistent with the financial statements.

Single Total Figure of Remuneration (Audited Information)

The single total figure of remuneration of the directors for the year ended 31 March 2024, along with comparative figures are shown in the non-executive directors and executive directors tables below.

Non-Executive Directors

The non-executive directors of the Board are appointed for a fixed period, normally three years. These non-executive directors do not have contracts of service with SRH. Non-executive directors are paid a basic fee and their total remuneration is set after consideration of additional responsibility and time commitment. Total remuneration is not pensionable.

Name	Remuneration Year ended 31 March 2024 £000	Remuneration Prior Period Ended 31 March 2023 £000
Brian Baverstock	10-15	0
Richard Cairns	45-50	0
Rozanne Foyer	0-5	0-5
Carolyn Griffiths	15-20	0
James L Shedden	0	0

As noted on page 29, James L Shedden resigned on 1 August 2023.

Executive Directors

The executive directors are members of the Board and are also responsible for the day-to-day management of SRH activities and operations.

	Salary		**Pension Benefit**		**Total**	
Name and Position	**Year ended 31 March 2024 £000**	**Prior Period Ended 31 March 2023 £000**	**Year ended 31 March 2024 £000**	**Prior Period Ended 31 March 2023 £000**	**Year ended 31 March 2024 £000**	**Prior Period Ended 31 March 2023 £000**
Emma Dixon* General Counsel & Company Secretary	105-110	25-30	35-40	10-15	140-145	35-40
David Lowrie FD/CEO**	150-155	140-145	55-60	55-60	210-215	195-200
John MacQuarrie* Rail Business Director	95-100	65-70	35-40	5-10	125-130	75-80

The comparative prior period figures exclude the previously reported SRT COO.

*Salary Increases
Emma Dixon and John MacQuarrie were appointed part way through the prior year on 8 December 2022 and 18 August 2022 respectively. Accordingly, their salaries for the year ended 31 March 2024 reflect a full year salary compared to the prior year.

**FD/CEO
David Lowrie acted as Chief Executive Officer from 29 December 2022 until 27 June 2024. Accordingly, his salary for the year ended 31 March 2024 reflects a full year salary compared to the prior year. Graeme Cook acted as interim Chief Executive Officer from 27 June 2024 until 23 September 2024 and Hannah Ross was appointed as permanent Chief Executive Officer on 23 September 2024. Campell Davidson was appointed as Finance Director on 27 June 2024.

No remuneration data is disclosed for Graeme Cook, Hannah Ross, Campbell Davidson and Neil Amner, as these were post year-end appointments.

Pension Entitlements (Audited Information)

The pension entitlements of the executive directors of SRH are shown in the table overleaf calculated on Normal Retirement Age (NRA) where pension entitlement is due at that age or current age if over NRA. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

	Lump Sum at NRA as at 31 March 2024	Real increase in Lump Sum at age NRA	Accrued Pension at age NRA as at 31 March 2024	Real increase in Pension at age NRA	CETV as at 31 March 2024	CETV as at 31 March 2023	Real Increase in CETV
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Emma Dixon	0	0	10-15	0-2.5	180	135	21
David Lowrie	0	0	5-10	2.5-5	115	52	45
John MacQuarrie	0	0	25-30	0-2.5	543	467	30

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of buying additional pension benefits at their own cost.

Nil lump sums are disclosed as the directors are members of the Alpha scheme which does not have automatic lump sums applied to the awards.

Fair Pay Disclosures (Audited Information)

Fair pay disclosures are based on full time equivalent (FTE) pay. The disclosures cover all executive directors and staff and exclude non-executive directors. Total remuneration is entirely comprised of salaries and allowances and contains no performance pay or bonus pay elements. It excludes pension benefits of all employees. Since the prior period ended 31 March 2023 was 17 months in duration, the remuneration levels shown have been annualised.

Pay ratio

The full year equivalent banded remuneration of the highest paid director was £175,000-£180,000 (2023: £175,000-£180,000). This was 2.5 times (2023: 2.4 times) the median remuneration of the workforce, which was £69,846 (2023: £72,932). The banded midpoint of our highest paid director in 2023-24 was £178,000 (2023: £178,000) which represented an increase of 0% on the previous year.

Pay ratios slightly increased in the 25th percentile and median ratios due to a greater distribution of salaries as employee numbers increased in these percentiles, however this was offset with public sector general grades pay award and pay progression where applicable, resulting in the pay ratios overall remaining relatively stable. Short term and agency staff contributed to the increase in the 75th percentile ratio. We believe the median pay ratio for the year ended 31 March 2024 is consistent with the pay, reward, and progression policies of the workforce as a whole.

Pay ratio information is set out in the following table.

		Year ended 31 March 2024	Prior Period Ended 31 March 2023
Highest paid director (band midpoint)	£	178,000	178,000
25th percentile remuneration (1)	£	44,557	45,411
25th percentile ratio		4:1	3.9:1
Median remuneration (1)	£	69,846	72,932
Median ratio		2.5:1	2.4:1
75th percentile remuneration (1)	£	98,278	90,850
75th percentile ratio		1.8:1	2:1

(1) SRH is required to disclose separately all staff FTE total pay and benefits and the salary component of total pay and benefits, comprising the Median, 25th percentile & 75th percentile remuneration. The remuneration figures of the Median, 25th percentile & 75th percentile are entirely comprised of salaries & allowances and contain no performance pay or bonus pay elements and exclude pension benefits as mentioned above.

(2) The comparative prior period figures exclude the previously reported SRT COO.

The average annualised salary excluding the highest paid director was £73,189 (2023: £76,287) which represented a 4% decrease from the prior year. This is a consequence of a greater distribution of salaries as employee numbers increased as discussed above.

In the year ended 31 March 2024 no employee received remuneration in excess of the highest paid director (2023: None). Remuneration FTE equivalent ranged from £33,000 to £178,000 (2023: £27,000 to £178,000). The highest paid director's total remuneration and the range of staff remuneration is based on the midpoint of the salary band.

Consultancy and Temporary staff

A total of £147k was incurred on Consultancy and Temporary staff during the period (2023: £21k).

Off-Payroll Appointments

During the year 1 off-payroll appointment was made (2023: nil). As at 31 March 2024 there was 1 temporary off-payroll worker engaged earning £245 per day or greater. The appointment is subject to off-payroll legislation and has been determined as in-scope for IR35.

Staff Numbers and Costs (Audited Information)

Staff category	**Year Ended 31 March 2024**		**Prior Period Ended 31 March 2023**	
	No.	**£000**	**No.**	**£000**
Staff with a permanent UK Employment contract	16	1,316	10	489
Non-Executive Directors	4	100	4	58
Agency Staff	1	5	0	0
Short Term Contract	3	326	2	429
Secondments	1	98	5	379
Other staff related costs	n/a	89	n/a	82
Total	**25**	**1,934**	**21**	**1,437**

Other staff related costs includes items such as travel and accommodation, subsistence, payroll and human resources costs.

Staff Composition

The table below identifies the gender split within SRH.

Staff Category	**Year Ended 31 March 2024**			**Prior Period Ended 31 March 2023**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Directors (including non-executive directors)	4	3	7	5	2	7
Employees	8	8	16	3	7	10
Secondees	1	0	1	3	1	4
Agency Staff	1	0	1	0	0	0
Total	**14**	**11**	**25**	**11**	**10**	**21**

Sickness absence data

During the year ended 31 March 2024, the total number of whole time equivalent (WTE) days lost to sickness absence was 26 days (2023: 13 days). This equated to a total sickness absence rate of 0.48% (2023: 0.25%).

Staff Turnover (Audited Information)

The average staff turnover in the year was 4.5% (2023: 7.2%), as can be seen in the table below.

Staff Turnover %	**Year Ended 31 March 2024**	**Prior Period Ended 31 March 2023**
Number of Leavers	1	1
Average Number of staff	22	14
Staff Turnover	4.5%	7.2%

Exit Packages

There were no exit packages in the year (2023: nil).

Trade Union Officials

There was no time spent by SRH staff on trade union activities during the year (2023: nil).

Pensions

Pension benefits for SRH are provided through the Civil Service pension arrangements. The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. SRH is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2020. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/. Further information regarding retirement obligations for SRH can be found in Note 15 to the Accounts.

Diversity & Inclusion Policy

SRH are committed to the principles of diversity, equality and inclusion for all our employees. Our aim is to eliminate all forms of discrimination and actively promote equality of opportunity and to embrace an environment where everyone is included and is a valued employee.

The SRH Equal Opportunities and Diversity policy aims to ensure that every member of staff feels comfortable and valued, and free to contribute fully and to the best of their ability. SRH ensures that the core principles of diversity and inclusion are considered day-to-day work, bringing out different voices and perspectives and embedded in the culture across the organisation.

SRH are committed to increasing the diversity of staff within the organisation and positively values the different perspectives and skills of all staff and make full use of these in our work. We take Diversity, Equality, and Inclusion of our staff seriously and have several policies and procedures in place to meet its commitment of being an exemplary employer and an organisation that is fully reflective of the communities which it serves.

Furthermore, SRH employees received training on Public Sector Equality Duties during the year.

Disability & Employment

The SRH Resourcing policy is aligned with the SRH Equal Opportunities and Diversity policy ensuring open, transparent and fair recruitment process. SRH wants everyone who works in the organisation to feel respected and supported and to be treated with dignity and respect. The equality principles are evident across the SRH People policies ensuring any employee with a disability is treated fairly and with respect.

The SRH Mental Health policy protects employees who may have a mental health condition which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities and is considered to be a disability under the terms of the Equality Act 2010. All SRH employees are offered the opportunity to take part in Mental Health Awareness training. SRH encourages all employees to tell us about any disabilities they have so that we can consider what reasonable adjustments or support may be appropriate.

Fair Work First Policy

SRH adopts the Scottish Government Fair Work First policy and ensures that best practice is applied within our organisation and subsidiaries. Examples of this include appropriate channels for effective voice including trade union recognition, investment in workforce development, no inappropriate use of zero hours contracts, action to tackle the gender pay gap, payment of the Real Living Wage and as mentioned above, developing a more diverse and inclusive workplace.

There are leadership briefings and team meetings scheduled each month which provide an overview on financial and operational performance for SRH and its subsidiaries. Similarly, SRH employees are provided with opportunities to attend events and employee engagement forums of the subsidiaries.

Parliamentary Accountability Report

SRH is a Non-departmental Public Body (NDPB) and part of the Scottish Administration, with direct accountability to the Scottish Parliament. Whilst our accounts are not consolidated with those of the Scottish Government, our spending and use of resources are reported to our Sponsor Agency, TS. Our Framework Agreement sets out our relationship with Scottish Ministers.

Audit Scotland have been appointed as external auditors to SRH and have taken on that role to audit the financial year from the period ended 31 March 2023 for a term of five years.

As required under the FReM, the following items are disclosed.

Regularity of Expenditure

Other than the special payments and losses noted below, expenditure was in line with Parliamentary approval and predominantly relates to the funding of net operational costs for SRT and CSL. These are evenly spread across the period, with staff costs, rolling stock leases, and network and station access costs from Network rail all arising on a broadly consistent profile throughout the year. No irregular payments have been identified.

Contingent Liabilities Disclosure

There were no material contingent liabilities or remote contingent liabilities.

Statement of Losses and Special Payments

Category	Number of Cases	£'000
Cash losses	4	36
Special payments including ex-gratia and special severance payments	3	54

Special payments and losses reported above relate to SRT. This includes bad debt write-offs, and ex-gratia and special severance payments. SRT continues to pursue all outstanding debts where there is a reasonable chance of recovery of the debt.

Gifts

The Scottish Public Finance Manual requires gifts to be reported and individual gifts of more than £250k to be noted separately. SRH has nothing to report for the year ended 31 March 2024 (2023: £nil).

Hannah Ross

Hannah Ross
Chief Executive Officer, Scottish Rail Holdings Limited
12 December 2024

Independent Auditors' Report

Independent auditor's report to the members of Scottish Rail Holdings Limited, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Rail Holdings Limited for the year ended 31 March 2024 under The Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2022. The financial statements comprise the Group and Company Statements of Comprehensive Net Expenditure, Group and Company Statements of Financial Position, Group and Company Statements of Cash Flows, Group and Company Statements of Changes in Taxpayers' Equity, and the notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the company and its group as at 31 March 2024 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, and the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 3 April 2024. My period of appointment is four years, covering 2023/24 to 2026/27. I am independent of the company and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the company. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I 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 to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the company's current or future financial sustainability. However, I report on the company's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines 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 Accountable Officer is 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 there is an intention to discontinue the company's operations.

Auditor's responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, and The Companies Act 2006, are significant in the context of the company;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the company;
- inquiring of the Accountable Officer concerning the company's policies and procedures regarding compliance with the applicable legal and regulatory framework;

- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the company's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Rachel Browne

Rachel Browne CPFA
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

12 December 2024

Group and Company Statements of Comprehensive Net Expenditure

		Group		Scottish Rail Holdings	
	Notes	Year ended 31 March 2024 £000	1 November 2021 to 31 March 2023 £000	Year ended 31 March 2024 £000	1 November 2021 to 31 March 2023 £000
Passenger revenue	3	**351,390**	265,492	**-**	-
Other operating income	3	**36,448**	15,442	**-**	-
Total operating income		**387,838**	**280,934**	**-**	**-**
Staff costs	4	**(330,235)**	(287,868)	**(1,934)**	(1,437)
Other operating expenditure	4	**(835,472)**	(685,876)	**(811,176)**	(692,247)
Total operating expenditure		**(1,165,707)**	**(973,744)**	**(813,110)**	**(693,684)**
Net operating expenditure		**(777,869)**	**(692,810)**	**(813,110)**	**(693,684)**
Finance income		**14**	-	**-**	-
Finance expense	5	**(6,402)**	(5,276)	**-**	-
Comprehensive net expenditure after interest		**(784,257)**	**(698,086)**	**(813,110)**	**(693,684)**
Taxation	6	**-**	-	**-**	-
Comprehensive net expenditure after interest and taxation		**(784,257)**	**(698,086)**	**(813,110)**	**(693,684)**

Net expenditure is fully funded by Grant in Aid, as shown on the Statements of Cash Flows on page 55. The SRH Group operated within its budget allocation, as demonstrated in the Outturn Analysis on page 19.

Group and Company Statements of Financial Position

		Group		Scottish Rail Holdings	
	Notes	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Non-current assets					
Property, plant and equipment	7	**23,319**	21,010	**-**	-
Intangible assets	8	**1,141**	60	**-**	-
Right of use assets	16	**476,341**	502,831	**-**	-
Financial assets	9	**-**	-	**9,000**	7,500
Total non-current assets		**500,801**	**523,901**	**9,000**	**7,500**
Current assets					
Inventories	10	**13,628**	12,893	**-**	-
Trade and other receivables	12	**57,409**	67,783	**61,868**	51,691
Cash and cash equivalents	11	**63,773**	67,886	**147**	164
Total current assets		**134,810**	**148,562**	**62,015**	**51,855**
Total assets		**635,611**	**672,463**	**71,015**	**59,355**
Current liabilities					
Trade and other payables	13	**(198,586)**	(176,349)	**(131,217)**	(52,122)
Lease liabilities	16	**(106,040)**	(89,360)	**-**	-
Total current liabilities		**(304,626)**	**(265,709)**	**(131,217)**	**(52,122)**
Total assets less current liabilities		**330,985**	**406,754**	**(60,202)**	**7,233**
Non-current liabilities					
Provisions	14	**(8,225)**	(5,645)	**-**	-
Lease liabilities	16	**(356,043)**	(398,278)	**-**	-
Total non-current liabilities		**(364,268)**	**(403,923)**	**-**	**-**
Total assets less total liabilities		**(33,283)**	**2,831**	**(60,202)**	**7,233**
Taxpayers' equity and other reserves					
Share capital	SoCTE	**-**	-	**-**	-
General fund	SoCTE	**(33,283)**	2,831	**(60,202)**	7,233
Total equity		**(33,283)**	**2,831**	**(60,202)**	**7,233**

The Group and SRH have share capital each of £1 for the current year (2023: £1).

The Accountable Officer was authorised to sign these accounts by the Board on 12 December 2024.

Authorised by Hannah Ross
Accountable Officer

12 December 2024

Group and Company Statements of Cash Flows

		Group		Scottish Rail Holdings	
	Notes	**Year ended 31 March 2024 £000**	1 November 2021 to 31 March 2023 £000	**Year ended 31 March 2024 £000**	1 November 2021 to 31 March 2023 £000
Cash flows from operating activities					
Comprehensive net expenditure after interest and taxation	SoCNE	**(784,257)**	(698,086)	**(813,110)**	(693,684)
Adjustments for:					
Depreciation, amortisation and impairment	4	**115,255**	105,159	**-**	-
Interest on finance leases	16	**6,402**	5,138	**-**	-
Increase in provisions	14	**2,580**	5,645	**-**	-
Decrease/(increase) in trade and other receivables	12	**10,374**	(67,783)	**(10,177)**	(51,691)
Increase in trade and other payables	13	**22,237**	172,815	**79,095**	52,122
Increase in inventory	10	**(735)**	(12,893)	**-**	-
Previously capitalised assets expensed	4	**4,751**	-	**-**	-
Lease payments	16	**(100,632)**	(112,258)	**-**	-
Net cash inflow/(outflow) from operating activities		**(724,025)**	(602,263)	**(744,192)**	(693,253)
Cash flows from investing activities					
Purchase of non-financial assets		**(25,763)**	(30,769)	**-**	-
Investment in subsidiary	9	**-**	-	**(1,500)**	(7,500)
Net cash inflow/(outflow) from investing activities		**(25,763)**	(30,769)	**(1,500)**	(7,500)
Cash flows from financing activities					
Grant in Aid from Scottish Government for the period	SoCTE	**745,675**	700,917	**745,675**	700,917
Net cash inflow/(outflow) from financing activities		**745,675**	700,917	**745,675**	700,917
Net increase/(decrease) in cash and cash equivalents in the period		**(4,113)**	**67,885**	**(17)**	164
Cash and cash equivalents at the beginning of the period		**67,886**	**1**	**164**	-
Cash and cash equivalents at the end of the period		**63,773**	**67,886**	**147**	164

Group and Company Statements of Changes in Taxpayers' Equity

		Group		
		Share capital £000	**General fund £000**	**Total equity £000**
Balance as at 1 November 2021		-	-	**-**
Grant in Aid from Scottish Government for the period	SoCF	-	700,917	700,917
Comprehensive net expenditure for the period	SoCNE	-	(698,086)	(698,086)
		-	**2,831**	**2,831**
Balance at 31 March 2023		**-**	**2,831**	**2,831**
Grant in Aid from Scottish Government for the period	SoCF	-	745,675	**745,675**
IFRS 16 remeasurements			2,468	**2,468**
Comprehensive net expenditure for the period	SoCNE	-	(784,257)	**(784,257)**
		-	**(36,114)**	**(36,114)**
Balance at 31 March 2024		**-**	**(33,283)**	**(33,283)**

		Scottish Rail Holdings		
		Share capital £000	**General fund £000**	**Total equity £000**
Balance as at 1 November 2021		-	-	**-**
Grant in Aid from Scottish Government for the period	SoCF	-	700,917	700,917
Comprehensive net expenditure for the period	SoCNE	-	(693,684)	(693,684)
		-	**7,233**	**7,233**
Balance at 31 March 2023		**-**	**7,233**	**7,233**
Grant in Aid from Scottish Government for the period	SoCF	-	745,675	745,675
Comprehensive net expenditure for the period	SoCNE	-	(813,110)	(813,110)
		-	**(67,435)**	**(67,435)**
Balance at 31 March 2024		**-**	**(60,202)**	**(60,202)**

The tables show cash drawn down for expenditure in the period. It does not include Grant in Aid which had not been drawn down before 31 March 2024 for expenditure in the period.

The Group and SRH have share capital each of £1 for the current year (2023: £1).

Notes to the Accounts

1. Statement of Accounting Policies

1.1 Basis of Accounting

The Group and SRH accounts are prepared in accordance with an Accounts Direction issued by the Scottish Ministers under Section 19 (4) of the Public Finance and Accountability (Scotland) Act 2000. This Accounts Direction is included at Appendix One. Under the Accounts Direction, the Group and SRH accounts have been prepared in accordance with the Financial Reporting Manual 2023-24 (FreM) issued by HM Treasury, and the Companies Act 2006 applicable to entities reporting under IFRS.

The accounting policies contained in the FReM follow generally accepted accounting practice for companies (GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate to the circumstances of SRH, for the purpose of giving a true and fair view, has been selected.

The accounting policies have, unless otherwise stated, been applied consistently for all periods presented in the accounts.

The preparation of accounts in conformity with the FReM requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts are disclosed on pages 66 to 68 under the subsection titled Critical Accounting Judgements and Key Sources of Estimation Uncertainty.

The Group and SRH accounts are prepared under the historical cost convention except for property, plant and equipment.

The accounts are prepared on a going concern basis, as outlined on page 32 in the Director’s Report.

1.2 Basis of Consolidation

The Group Accounts consolidate the accounts of SRH and all its subsidiary undertakings drawn up to each period end unless otherwise noted. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. On consolidation, inter-company transactions and balances between Group companies are eliminated.

1.3 Funding

SRH receives Grant in Aid funding from the Scottish Ministers on an annual basis to finance the Group's net operating costs. SRH distributes these funds to its subsidiaries as grant funding as required, which is recognised as a cost in the Statement of Comprehensive Net Expenditure in the year. Grant in Aid received is credited to the General Reserve and the net cost of activities undertaken funded by Grant in Aid is charged to this reserve.

1.4 Adoption of New and Revised International Financial Reporting Standards

The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current and Non-current liabilities with Covenants;
- Amendments to IAS 21 – Lack of Exchangeability; and
- IFRS 17 Insurance Contracts (this will be applied in the FReM from 1 April 2025).

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

1.5 Revenue and Other Operating Income

Passenger Revenue

The Group generates revenue from tickets for rail travel sold under the conditions of the National Rail Conditions of Travel. The ticket sold forms a binding contract between passengers and any Train Operating Company (TOC). The fare for each ticket is set by a TOC and settled via the Rail Settlement Plan, which attributes the price of a ticket purchased to the relevant TOCs based on the Operational Research Computerised Allocation of Tickets to Services (ORCATS) allocation methodology.

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

Daily Tickets

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

Season and Flexipass Tickets

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

Season tickets are valid for the duration of the term purchased by the customer. This includes weekly, monthly and annual. The transaction price of each season ticket is recognised at the Group's share of the value from the Rail Settlement Plan and as the Group transfers control of the season ticket over time and therefore satisfies the performance obligation over time, revenue is recognised over the validity period of the season ticket on a straight-line basis.

Flexipass tickets from SRT are valid for 60 days and revenue is recognised over the validity period on a straight-line basis. Flexipass tickets from CSL are valid from 12 months from the date of purchase and revenue from Flexipass tickets is recognised at the date of purchase.

Rail Cards

The Group has assessed that there is one performance obligation for the provision of discounted rail travel over the validity period set out on the railcard. Revenue is recognised over the validity period of the railcard on a straight-line basis.

Combined Tickets and Travel Passes

The Group has assessed that there is one performance obligation for the provision of transport across the specified period and routes on rail services. Although the customer may be able to use the service multiple times (over the course of the validity of the pass), this does not constitute multiple performance obligations as this is a series of distinct services that are substantially the same and have the same benefit to the customer. As such this is one performance obligation.

The transaction price of each ticket or pass is the Group's share from the Rail Settlement Plan and the Group transfers control of the ticket or pass over time and therefore satisfies the performance obligation over time. For tickets offering unlimited travel within a specified time period, revenue is recognised over the validity period of the ticket or pass on a straight-line basis.

Railway Station Access

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

Train Maintenance

The Group provides train maintenance services to other TOCs, under service contracts. The Group has assessed that there is one performance obligation under each agreement and that the Group fulfils the obligation of the services provided to the customer over a period of time. As such, income, based on the transaction price set out in the terms of the contract, is recognised on a straight-line basis over the term of the contract except where specific provisions of the contract override this.

Commission

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

Car Park Income

The Group provides car parking services to customers at stations. A contract exists between the Group and the customer upon the issue of a ticket. The Group has assessed that there is one performance obligation and that the Group transfers control of the services provided to the customer on a particular day, for daily tickets, or over a period of time for season tickets. The transaction price is specified on the ticket. For daily tickets, income is recognised on the day of parking specified on the ticket. For season tickets, as the Group transfers control of the season ticket over time and therefore satisfies the performance obligation over time, income is recognised over the validity period of the season ticket on a straight-line basis.

Catering Income

Catering Income is related to food and beverage sales on board trains and in CSL's London Euston guest lounge. Revenue is recognised at point of purchase.

Other Revenue

Other revenue is generated in the course of the Group's ordinary activities and is derived from commercial property revenue, advertising revenue and fuel sales.

Revenue is recognised when a customer obtains control of goods or services and has the ability to direct the use and obtain the benefits from the goods or services.

1.6 Tax

Current Tax

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

Deferred Tax

Deferred tax is recognised on all temporary differences between tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits, or tax losses can be utilised.

1.7 Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

1.8 Property, Plant and Equipment

Depreciated historical cost has been used as a proxy for current value in existing use, as the useful life is considered to be a realistic reflection of the life of the asset and the depreciation method used provides a realistic reflection of the consumption of the asset.

Depreciation is provided on a straight-line basis to write off the cost less estimated residual value of fixed assets over the shorter of the asset's expected useful economic life, as outlined below, or the Grant Agreement expiry date.

Asset class	**Expected useful economic life**
Leasehold improvements	Shorter of the lease term or expected life of the underlying assets
Plant and equipment	5 to 10 years
Fixtures and fittings	3 to 10 years
Computer equipment	3 to 10 years

An individual asset is capitalised when its cost is greater than £10,000 or when individually low value items are grouped together as part of a major refurbishment project.

Assets under construction are not depreciated until they are available for use. When the asset is complete and available for use, the cost is transferred to the appropriate asset class and depreciated based on the depreciation policy noted above.

1.9 Capital Grants

The Group receives funding for all its activities, including capital projects. Capital projects are funded primarily by government bodies, principally third parties including TS, Network Rail and local authorities, and are accounted for under IAS 20 as amended by the FReM.

Third party capital grants are presented in the Statement of Financial Position as deferred income and recognised as income to the Statement of Comprehensive Net Expenditure upon project completion. The assets are depreciated in line with the above policy on Property, Plant and Equipment.

1.10 Leases

The Group as a Lessee

The Group assesses whether an identified asset and the related contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with terms of less than 12 months) and low value leases (such as personal computer hardware, office furniture, photocopiers, mobile phones, and coffee machines). For these leases, the Group has elected to apply the exemption included within IFRS 16 and recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Right-of-Use Assets

Right-of-use assets comprise rolling stock, offices, other property leases, and motor vehicles. At the lease commencement the Group recognises both a right-of-use asset and a corresponding lease liability.

Station and depot access arrangements with Network Rail are not capitalised under right-of-use assets given the restrictions placed on those contracts do not meet the criteria for recognition under IFRS 16. The costs are therefore recognised in the Statement of Comprehensive Net Expenditure as operating costs when incurred. This is discussed further on page 67 as part of the section Critical Accounting Judgements and Key Sources of Estimation Uncertainty.

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

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

- The initial measurement of the lease liability discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group will use the incremental borrowing rate;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- An estimate of the costs incurred upon dismantling or removing the asset or returning the underlying asset to the condition required by the lease arrangement; and
- Other initial direct costs resulting from the introduction of the lease arrangement.

However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

After the commencement date the right-of-use assets are measured using a cost model. Right-of-use assets are depreciated over the shorter of the lease term and the practical end of the Grant Agreement Term and are impacted by the extension of the Grant Agreement Term - see the Critical Accounting Judgements and Key Sources of Estimation Uncertainty section on page 66 for further details. Assets held under peppercorn or nil consideration have been valued using market prices or rentals for equivalent land and properties.

The right-of-use assets are presented as a separate line in the Statement of Financial Position.

Where an option to extend the lease is available this will be included within the lease term where there is reasonable certainty that this option will be exercised.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur and are included in the Statement of Comprehensive Net Expenditure as operating costs.

The leases are assessed for lease and non-lease elements (service and maintenance arrangements) which, except for heavy maintenance, do not meet the scope for IFRS 16 as there is no identifiable asset and are recognised in the Statement of Comprehensive Net Expenditure as operating costs.

1.11 Heavy Maintenance

Maintenance and repair costs for leased rolling stock are charged to raw materials and consumables as incurred, except for “heavy maintenance” expenditure on leased rolling stock, which is capitalised as described below. Heavy maintenance events consist of more complex inspection and servicing activities that occur less frequently than once per year.

Heavy maintenance assets are held in the Statement of Financial Position as part of the IFRS 16 right-of-use assets and are accounted for under IAS 16 Property, Plant, and Equipment. Rolling stock costs recorded as heavy maintenance assets have the same accounting policies applied as directly owned assets.

Heavy maintenance assets relating to leased rolling stock, including replacement spares and parts, labour costs, and/or third-party maintenance service costs, are capitalised as part of the right-of-use asset and depreciated over the shorter of the lease term and the expected time until the next similar heavy maintenance event. All other maintenance costs are recognised in the Statement of Comprehensive Net Expenditure as operating costs when incurred.

1.12 Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

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

Lease liabilities will be recognised as current and non-current liabilities within the Statement of Financial Position. The carrying value is increased to reflect the interest on the lease liability and reduced to reflect lease payments made over the term of the lease.

The Group 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 carrying value is also adjusted to reflect any changes to the lease utilising the discount rate at the point of remeasurement.
- 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 payments using an unchanged discount rate (unless the lease payments change is due to a change in floating rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group made one adjustment in the year. This was due to a modification to a lease and as such has been treated as a remeasurement as this is not accounted for as a separate lease.

1.13 Intangible Assets

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

Asset class	Amortisation rate and method
Brands	7 years – Straight line
Software costs	7 years – Straight line

1.14 Impairment of Tangible and Intangible Assets

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

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

If the recoverable amount of an asset is estimated to be less than it's carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Net Expenditure.

1.15 Cash and Cash Equivalents

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

1.16 Inventories

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

1.17 Defined Benefit Pension Obligation

Civil Service Pensions Scheme

Past and present SRH employees are covered by the provisions of the Civil Service Pensions scheme, which includes the Alpha defined benefit and Partnership Pension defined contribution schemes.

The Alpha scheme is an unfunded multi-employer defined benefit scheme with the cost of benefits met by monies voted by Parliament each year, and as a result, SRH is unable to identify its share of the underlying liabilities. The scheme is therefore accounted for as a defined contribution scheme.

In respect of defined contribution schemes, SRH's contributions are recognised as a cost in the year. More details can be found in Note 15.

Railway Pension Scheme

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

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

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The accounting liabilities are updated at each balance sheet date and, typically, every three years are rebalanced to allow for the triennial statutory funding valuation. Currently this is the 31 December 2022 valuation that was signed off on 21 March 2024, the next triennial valuation is due as at 31 December 2025. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other assets on the face of the Statement of Financial Position.

1.18 Financial Instruments

Financial instruments are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial instruments and is determined at the time of recognition.

Trade Receivables

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

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

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

Trade Payables

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

Other Financial Liabilities

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

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

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

1.19 Provisions

Legal and constructive obligations that are of uncertain timing or amount are provided for in the Statement of Financial Position at 31 March on the basis of the best estimate available. These are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Provisions are charged to the Statement of Comprehensive Net Expenditure unless they are capitalised as part of additions to non-current assets.

1.20 Contingent Liabilities

Contingent liabilities include those required to be disclosed under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and other liabilities arising from indemnities and guarantees (which are not financial guarantee contracts) included for parliamentary reporting and accountability. They are disclosed in respect of:

- possible obligations arising from past events whose existence will be confirmed by the occurrence of uncertain future events out with control of the SRH Group; or
- present obligations arising from past events where it is not likely that resources will be required to settle the obligation, or it is not possible to measure it reliably.

1.21 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

SRT and CSL Grant Agreement Terms

SRT and CSL operate as publicly owned TOCs through Grant Agreements with SRH and the Scottish Ministers acting through TS. For SRT, the Grant Agreement is dated 31 March 2022. Unless terminated in accordance with its terms, the Grant Agreement has a First Expiry Date of 31 March 2027 and includes an automatic extension of five years to a Final Expiry Date of 31 March 2032.

For CSL, the Grant Agreement is dated 25 June 2023. Unless terminated in accordance with its terms the Grant Agreement has a First Expiry Date of 1 April 2030 and includes an automatic extension to a Final Expiry Date of 25 June 2033.

The Directors determined, for the purposes of these accounts, that the Grant Agreements for SRT and CSL will remain in effect until the Final Expiry Dates. The judgement affects these accounts in respect of reporting for leases under IFRS16 and going concern as noted in the sections below.

IFRS 16

At the inception of a lease, management assesses the lease term. In this assessment management considers the embedded termination options contained within the lease. Termination options are disregarded from the initial measurement if the lessee is reasonably certain not to exercise the option. This judgement over whether termination options will be exercised impacts the lease liabilities and right-of-use assets recognised on the Statement of Financial Position at inception of the lease.

The judgement applied to assume the automatic extension of the SRT Grant Agreement term to the Final Expiry Date of 31 March 2032 leads to an additional amount of £116m for both the right-of-use asset additions and lease liability (see Note 16) when compared to a term to the First Expiry Date of 31 March 2027. For CSL assuming the automatic extension of the Grant Agreement term to the Final Expiry Date of 25 June 2033 compared to a term of First Expiry date 1 April 2030 leads to an additional amount of £23m for both the right-of-use asset additions and lease liability.

Please note that leases with a lease term ending after 31 March 2032 and 25 June 2033 for SRT and CSL respectively, have been initially measured with the assumption that a termination option will be exercised at the Final Expiry Date.

Station Leases

As noted in the Group's Leases accounting policy on page 61, station and depot access arrangements with Network Rail are not capitalised under right-of-use assets. This is due to the restrictions placed by the regulator regarding access to these stations limiting the TOC's control over the properties. The Directors have determined this is a reasonable judgement to take and therefore costs for these leases are recognised in the Statement of Comprehensive Net Expenditure as operating costs when incurred.

Going Concern

The expected automatic extension of the SRT Grant Agreement to 31 March 2032 and the CSL Grant Agreement to 25 June 2033 provides the SRH Group with additional assurance and stability over its operations.

Pension and Other Post-Employment Benefits

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

Further details are given in Note 15.

Accrued Grant Funding

SRH recognise there is a liability due to fund SRT and CSL in respect of accrued net expenditures for services delivered as at the reporting date. On the basis that funding received by SRT and CSL is grant funding under the subsidiary Grant Agreements and in accordance with IAS 20 as amended by the FReM, the accrued grant funding due to the subsidiaries is recognised by SRH in the Statement of Comprehensive Net Expenditure in the year the services are delivered by the subsidiaries, and a corresponding creditor is recognised in the Statement of Financial Position. An intercompany adjustment is made to remove the accrued grant funding for Group reporting. The Directors have determined this is a critical accounting judgement.

This differs to the accounting treatment of Grant in Aid funding received by SRH from TS, which is recognised on a cash basis upon receipt, as outlined in Accounting Policy Note *1.3 Funding*.

2. Statement of Operating Expenditure by Operating Segment

The Group's two subsidiary undertakings, SRT and, from June 2023, CSL, are considered to be separate operating segments. Segmental reporting is included in the Financial Performance section on page 18 in the Performance Report.

3. Income

	Group		**Scottish Rail Holdings**	
	Year ended 31 March 2024 £000	**1 November 2021 to 31 March 2023 £000**	**Year ended 31 March 2024 £000**	**1 November 2021 to 31 March 2023 £000**
Passenger revenue	**351,390**	265,492	-	-
Other operating income	**36,448**	15,442	-	-
	387,838	**280,934**	**-**	**-**
Other operating income comprises of:				
Maintenance and fuel income	**4,697**	5,276	-	-
Station access charges	**4,705**	3,827	-	-
Property lettings	**2,617**	2,311	-	-
Commission receivable	**1,112**	1,246	-	-
Advertising income	**1,132**	1,065	-	-
Catering income	**1,202**	305	-	-
Other	**20,983**	1,412	-	-
	36,448	**15,442**	**-**	**-**

Other income includes third party capital grant income of £18.1m for the year ended 31 March 2024.

4. Expenditure

	Group		Scottish Rail Holdings	
	Year ended 31 March 2024 £000	**1 November 2021 to 31 March 2023 £000**	**Year ended 31 March 2024 £000**	**1 November 2021 to 31 March 2023 £000**
Staff costs comprises of:				
Wages and salaries	**273,008**	238,421	**1,219**	712
Social security costs	**28,575**	25,795	**140**	86
Other pension costs	**15,590**	14,025	**287**	178
Other staff costs	**13,062**	9,627	**288**	461
	330,235	**287,868**	**1,934**	**1,437**

	Group		Scottish Rail Holdings	
Other operating expenditure includes:				
Depreciation	**114,004**	102,050	**-**	-
Amortisation	**18**	496	**-**	-
Impairment	**1,233**	2,613	**-**	-
Auditors' remuneration and expenses	**523**	361	**42**	30
Provisions provided for in year	**(478)**	5,645	**-**	-
Grant payments to subsidiaries	**-**	-	**810,752**	691,863
Other expenditure	**720,172**	574,711	**382**	354
	835,472	**685,876**	**811,176**	**692,247**

Other staff costs include items such as agency staff costs, ill health retirement, apprenticeship levy, employee benefits, payroll and human resources costs.

Other expenditure includes Network Rail charges, station and rolling stock hire, train maintenance, fuel, insurance and administrative expenses. 2023/24 also includes £4.7m relating to assets that were previously capitalised to property, plant and equipment (£5.2m initially recognised less £0.5m for accumulated depreciation) but have now been expensed in the current year due to not meeting the £10,000 capitalisation policy.

During the period, SRH did not purchase non-audit services from its auditor, Audit Scotland. SRT did purchase £1k of non-audit services from its auditor, PricewaterhouseCoopers. CSL did not purchase any non-audit services from its auditor, PricewaterhouseCoopers.

5. Interest payable and similar charges

	Group		Scottish Rail Holdings	
	Year ended 31 March 2024 £000	1 November 2021 to 31 March 2023 £000	Year ended 31 March 2024 £000	1 November 2021 to 31 March 2023 £000
Interest paid to external parties	**-**	138	**-**	-
Interest charge on leases	**6,402**	5,138	**-**	-
	6,402	**5,276**	**-**	**-**

6. Taxation

Tax (credited)/charged for the year/period:

	Group		Scottish Rail Holdings	
	Year ended 31 March 2024 £000	1 November 2021 to 31 March 2023 £000	Year ended 31 March 2024 £000	1 November 2021 to 31 March 2023 £000
Current taxation				
UK corporation tax	-	**316**	-	-
Other adjustment	-	**(316)**	-	-
	-	-	-	-
Deferred taxation				
Origination and reversal of temporary differences	-	-	-	-
Effect of change in tax rates	-	-	-	-
Total deferred taxation	-	-	-	-
Tax (credit)/charge to the SoCNE	-	-	-	-

The tax on comprehensive net expenditure before tax for the year/period is the same as the standard rate of corporation tax in the UK of 25% (2023: 19%).

The (credit)/charge for the year/period can be reconciled to the result in the Statement of Comprehensive Net Expenditure as follows:

	Group		Scottish Rail Holdings	
	Year ended 31 March 2024 £000	**1 November 2021 to 31 March 2023 £000**	**Year ended 31 March 2024 £000**	**1 November 2021 to 31 March 2023 £000**
Comprehensive net expenditure before taxation	(784,257)	(698,086)	(813,110)	(693,684)
Corporation tax at standard UK rate of 25% (2023: 19%)	(196,064)	(132,636)	(203,277)	(131,800)
Effects of:				
Fixed asset differences	1,364	-	-	-
Expenses not deductible	204,227	133,081	202,688	131,454
Income not taxable	(10,107)	(475)	-	-
Losses carried back / (brought back)	432	-	-	-
Adjustments in respect of prior periods	14	-	-	-
Temporary differences not recognised	(911)	-	-	-
Movement in deferred tax not recognised	1,060	346	589	346
Other	(15)	(316)	-	-
Tax (credit)/charge for the year/period	-	**-**	**-**	**-**

Deferred tax assets have not been recognised in respect of the below temporary differences because it is not probable that future taxable profits will be available against which the deductible temporary differences, carried forward tax credits, or tax losses can be utilised.

The table below summaries the unrecognised deferred tax asset at 31 March 2024:

	Group		Scottish Rail Holdings	
	Gross Amount £000	**Tax Effect £000**	**Gross Amount £000**	**Tax Effect £000**
Tax Attributes				
Deductible temporary differences	1,885	471	-	-
Unused tax losses	2,366	591	2,366	591
Unused tax credits	-	-	-	-
Total	**4,251**	**1,062**	**2,366**	**591**

The recognition of deferred tax assets is reassessed annually. Should the Group and SRH generate sufficient taxable profits in the future or new developments arise, such as changes in legislation, deferred tax assets could be recognised at that time.

7. Property, Plant and Equipment

Group

	Leasehold Improvements £000	Plant and equipment £000	Fixtures and fittings £000	Computer equipment £000	Assets under construction £000	Total £000
Cost						
At 1 April 2023	-	5,763	2,192	354	13,941	**22,250**
Additions	-	-	630	-	8,420	**9,050**
Transfers	14,282	22	-	-	(14,304)	**-**
Disposals	-	(2,733)	(754)	-	(1,737)	**(5,224)**
At 31 March 2024	**14,282**	**3,052**	**2,068**	**354**	**6,320**	**26,076**
Depreciation						
At 1 April 2023	-	(983)	(223)	(34)	-	(1,240)
Charged in period	(1,044)	(575)	(253)	(118)	-	(1,990)
Disposals	-	444	29	-	-	473
At 31 March 2024	**(1,044)**	**(1,114)**	**(447)**	**(152)**	**-**	**(2,757)**
Carrying value at 31 March 2023	**-**	**4,780**	**1,969**	**320**	**13,941**	**21,010**
Carrying value at 31 March 2024	**13,238**	**1,938**	**1,621**	**202**	**6,320**	**23,319**
Asset financing:						
Owned	-	1,938	1,621	202	6,075	9,836
Leased assets	13,238	-	-	-	245	13,483
Carrying value at 31 March 2024	**13,238**	**1,938**	**1,621**	**202**	**6,320**	**23,319**

Assets under construction are assets that are in the process of completion and not yet available for use. Depreciation on assets under construction commences when each project is complete.

Leasehold improvement additions during the year materially consists of assets relating to Motherwell, Stirling, and Aberdeen Station redevelopments.

Disposals in the current year relate to assets that were previously included as additions to property, plant and equipment, but have now been expensed in the current year due to not meeting the £10,000 capitalisation policy.

8. Intangible Assets

	Group			
	Brand costs £000	**Software costs £000**	**Assets under construction £000**	**Total £000**
Cost				
At 1 April 2023	496	-	60	**556**
Additions	-	1,233	1,099	**2,332**
Transfers	-	433	(433)	**-**
Impairments	-	(1,233)	-	**(1,233)**
At 31 March 2024	**496**	**433**	**726**	**1,655**
Amortisation				
At 1 April 2023	(496)	-	-	**(496)**
Charged in period	-	(18)	-	**(18)**
At 31 March 2024	**(496)**	**(18)**	**-**	**(514)**
Carrying value at 31 March 2023	**-**	**-**	**60**	**60**
Carrying value at 31 March 2024	**-**	**415**	**726**	**1,141**
Asset financing:				
Owned	-	415	726	**1,141**
Carrying value at 31 March 2024	**-**	**415**	**726**	**1,141**

Assets under construction are assets that are in the process of completion and not yet available for use. Amortisation on assets under construction commences when each project is complete.

The Group impaired the software costs that were taken on from the previous operator of Caledonian Sleeper in full during the year (£1,233k).

9. Financial Assets

	Group		Scottish Rail Holdings	
	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Investment in subsidiary	**-**	-	**1,268**	1,170
Intercompany loan to subsidiary	**-**	-	**7,732**	6,330
	-	**-**	**9,000**	**7,500**

Per the Grant Agreement, SRH granted SRT a working capital loan of £7.5m effective from 1 April 2022 and granted CSL a working capital loan of £1.5m effective from 25 June 2023. The working capital loans are unsecured, do not accrue interest, and are repayable to SRH on the final expiry date, or upon termination, of the Grant Agreement. The loans have been discounted using the effective interest rate method, using the nominal rate of 1.9% as advised in the HM Treasury PES paper 2022 for SRT and the nominal rate of 2.05% as advised in the HM Treasury PES paper 2023 for CSL. The difference between the initial cash advanced and the current discounted value of the loans to the subsidiaries is accounted for as an investment in the subsidiaries.

SRH had two wholly owned subsidiaries in the year, as noted below.

Subsidiary Undertaking	Nature of business	Type of shares held	Proportion held	Country of incorporation
ScotRail Trains Limited	Train Operator	Ordinary	100%	Scotland
Caledonian Sleeper Limited (formerly SOLR2 Limited)	Train Operator	Ordinary	100%	Scotland

10. Inventories

	Group		Scottish Rail Holdings	
	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Catering supplies	217	-		
Fuel stocks	626	762	-	-
Engineering spares	12,785	12,131	-	-
	13,628	**12,893**	**-**	**-**

Inventories are stated after provisions for impairment of £nil (2023: £nil).

11. Cash and Cash Equivalents

	Group £000	Scottish Rail Holdings £000
Balance at 1 April 2023	67,886	164
Net change in cash and cash equivalent balances	(4,113)	(17)
Balance at 31 March 2024	**63,773**	**147**

The following balances at 31 March 2024 were held at:

	Group £000	Scottish Rail Holdings £000
Commercial banks and cash in hand	63,773	147
Balance at 31 March 2024	**63,773**	**147**

12. Trade and Other Receivables

	Group		Scottish Rail Holdings	
	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Amounts falling due within one year				
Trade receivables	**16,240**	30,891	-	-
Other receivables	**1,111**	4,317	-	3
Prepayments	**3,145**	4,361	-	8
Accrued income	**10,149**	6,848	-	-
VAT	**26,764**	21,366	-	-
Prepayment to subsidiary for Grant in Aid	**-**	-	**61,868**	51,680
	57,409	**67,783**	**61,868**	**51,691**

13. Trade and Other Payables

	Group		Scottish Rail Holdings	
	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Amounts falling due within one year				
Social security and other taxes	6,856	6,090	40	28
Trade payables	46,966	37,770	38	50
Other payables	1,352	6,476	-	-
Accruals	64,682	50,049	384	364
Deferred income	16,862	24,284	-	-
Amounts owed for prepaid Grant in Aid	61,868	51,680	61,868	51,680
Accrued grant funding owed to subsidiaries	-	-	68,887	-
	198,586	**176,349**	**131,217**	**52,122**

Accrued grant funding owed to subsidiaries of £68.9m is in respect of services delivered by SRT and CSL for the year ended 31 March 2024 that were unpaid by SRH at year end. The accrued grant funding is removed as an intercompany adjustment for the Group reporting.

14. Provisions for Liabilities and Charges

	Legal £000	Dilapidations £000	General £000	Group Total £000
Balance at 1 April 2023	-	5,645	-	5,645
Provided in the year	125	1,943	512	2,580
Provisions utilised in the year	-	-	-	-
Balance at 31 March 2024	**125**	**7,588**	**512**	**8,225**
Analysis of expected timing of discounted flows:				
Not later than one year	125	-	512	637
Later than one year and not later than five years	-	7,142	-	7,142
Later than five years	-	446	-	446
Balance at 31 March 2024	**125**	**7,588**	**512**	**8,225**

The dilapidation provision includes the estimated cost of the obligation to return certain rolling stock back to their original state at the cessation of the lease.

15. Retirement Benefit Obligations

SRH and the Group participate in two pension schemes - the Civil Service Pensions Scheme and the Railway Pension Scheme.

SRH Retirement Benefit Obligations - Civil Service Pensions Scheme

The Civil Service Pensions Scheme offers employees with a choice of joining the Alpha or Partnership pension schemes.

The Alpha scheme is an unfunded multi-employer defined benefit scheme with the cost of benefits met by monies voted by Parliament each year and as a result, SRH is unable to identify its share of the underlying liabilities. The scheme is therefore accounted for as a defined contribution scheme.

The Alpha scheme provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). Employee and employer contributions are salary-related and for 2023/24 range between 4.6% to 8.05% and 26.6% to 30.3%, respectively.

The scheme Actuary reviews employer contributions every four years following a full scheme valuation. The latest actuarial valuation was performed as at 31 March 2020. The contribution rates are set to meet the cost of the benefits accruing during the year ending 31 March 2024 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

The Partnership Pension scheme is a defined contribution scheme. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension account product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service Pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

For the year ended 31 March 2024, employers' contributions of £287k (2023: £178k) were payable to the Civil Service Pensions scheme for members of the Alpha and Partnership Pension schemes.

SRT and CSL Pension Obligations – Railway Pension Scheme

SRT and CSL are members of a defined benefit pension scheme, which is funded. All eligible employees are offered membership of the Railway Pension Scheme (RPS). The defined benefit scheme is administered by a separate fund that is legally separated from the Group. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders of the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund. The last full actuarial valuation of the scheme was carried out by independent actuaries as at 31 December 2022.

Contributions are paid to the scheme at rates recommended by the actuaries and the assets of the scheme are held in a separately administered trust. The scheme's assets are held and managed independently of the Group's finances by independent investment managers appointed by the trustees of the scheme. Contributions are paid in line with the latest agreed Schedule of Contributions in 2022. For the majority of active members, for SRT the current contribution rate is

6.52% for employees and 9.78% for the employer and for CSL the current contribution rate is 9.32% for employees and 14.28% for the employer.

The actuarial assumptions used in determining the 2022 full actuarial valuation were that the rate of earnings increase would be 3.4% per annum and the rate of inflation would be 3.4%/2.4% (RPI/CPI) per annum. The valuation was made using the projected unit method.

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

Any deficit reflected in the Statement of Financial Position reflects only that portion of the deficit that is expected to be funded over the Grant Agreement term, net of deferred tax. An 'operator adjustment' is made to the deficit on this basis. The operator adjustment is the projected deficit at the end of the Grant Agreement term which the Group will not be required to fund, discounted back to present value.

The valuations used have been based on the results of the 31 December 2022 statutory funding valuation and have been updated by the Group's Actuaries in order to assess the liabilities of the scheme as at the subsequent Statement of Financial Position dates. Scheme assets are stated at their market values at the respective Statement of Financial Position dates and overall expected rates of return are applied to each category of scheme assets. The present value of the defined benefit obligation (DBO), the related current service cost, and past service cost were measured using the projected unit method.

The weighted average duration of the Section's DBO is approximately 19 years at the end of the reporting year.

SRT and CSL are exposed to a number of risks relating to the Section, including assumptions not being borne out in practice. It should be noted that due to the nature of the operator adjustment, SRT and CSL are effectively shielded from these risks relating to the Section in the short term. Some of the most significant risks are as follows, although the list is not exhaustive:

- Asset volatility: There is a risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the Section's DBO. The Section holds a proportion of growth assets, which are expected to outperform corporate and government bond yields in the long-term but gives exposure to volatility and risk in the short-term.

- Change in bond yields: A decrease in corporate bond yields will increase the value placed on the Section's DBO, although this will be partially offset by an increase in the value of the Section's corporate bond holdings.

- Inflation risk: The majority of the Section's DBO is linked to inflation, where higher inflation will head to a higher value being placed on the DBO. Some of the Section's assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit.

- Life expectancy: An increase in life expectancy will lead to an increased value being placed on the Section DBO. Future mortality rates cannot be predicted with certainty.

Net defined benefit position:

	SRT	CSL	Group	
	31 March 2024 £000	31 March 2024 £000	31 March 2024 £000	31 March 2023 £000
Cash and cash equivalent	16,040	407	**16,447**	1,137
Equity instruments	798,361	10,083	**808,444**	774,146
Debt instruments	70,530	923	**71,453**	61,819
Real estate	89,014	1,168	**90,182**	87,151
Other	108,060	1,403	**109,463**	80,350
Total fair value of scheme assets	1,082,005	13,984	**1,095,989**	1,004,603
Present value of scheme liabilities	(1,008,221)	(15,748)	**(1,023,969)**	(934,233)
Operator adjustment	(44,270)	1,058	**(43,212)**	(42,222)
Defined benefit obligation	29,514	(706)	**28,808**	28,148
Members' share of surplus	**(29,514)**	**706**	**(28,808)**	**(28,148)**
Surplus/(deficit) in the scheme	-	-	-	-
Related deferred tax asset	-	-	-	-
Net pension liability	-	-	-	-

Scheme assets are stated at their market value at the respective Statement of Financial Position dates.

Where comparatives are given for the prior year, these relate to SRT only. There are no comparatives for CSL, as CSL joined the Group in the year ended 31 March 2024.

Analysis of the amount charged to the Statement of Comprehensive Net Expenditure:

	SRT	CSL	Group	
	31 March 2024 £000	31 March 2024 £000	31 March 2024 £000	31 March 2023 £000
Current service cost	24,205	605	**24,810**	39,390
Administrative expenses	2,326	35	**2,361**	1,546
Interest expense on defined benefit obligation	26,497	319	**26,816**	23,798
Interest income on pension scheme assets	(28,895)	(287)	**(29,182)**	(17,370)
Interest on operator adjustment	2,027	(53)	**1,974**	(6,598)
Operator adjustment	(11,426)	(129)	**(11,555)**	(26,918)
Total amount charged to SoCNE	**14,734**	**490**	**15,224**	**13,848**

Re-measurements recognised in the Statement of Comprehensive Net Expenditure for the period are analysed as follows:

	SRT	CSL	Group	
	31 March 2024 £000	31 March 2024 £000	31 March 2024 £000	31 March 2023 £000
Return on plan assets	40,996	715	**41,711**	(54,245)
Loss from change in members' share	(7,631)	(121)	**(7,752)**	(207,598)
Change in assumptions	34,696	(337)	**34,359**	625,747
Loss on operator adjustment	(21)	(90)	**(111)**	(284,479)
Effect of experience adjustments	(83,244)	(38)	**(83,282)**	(52,507)
Effect of changes in demographic assumptions	26,630	-	**26,630**	-
Total re-measurement recognised in the statement of comprehensive net expenditure	11,426	129	**11,555**	26,918
Operator adjustment	(11,426)	(129)	**(11,555)**	(26,918)
Net total re-measurements	**-**	**-**	**-**	**-**

Changes in the fair value of scheme assets are analysed as follows:

	SRT	CSL	Group
	£000	£000	£000
Fair value of scheme assets at 1 April 2023	**1,004,603**	**12,244**	**1,016,847**
Return on plan assets	40,996	715	**41,711**
Cash contributions - employer	14,734	318	**15,052**
Cash contributions - employee	9,669	490	**10,159**
Interest income - employer	28,895	287	**29,182**
Interest income - employee	19,263	191	**19,454**
Benefits paid	(32,279)	(202)	**(32,481)**
Administration expense	(3,876)	(59)	**(3,935)**
Fair value of scheme assets at 31 March 2024	**1,082,005**	**13,984**	**1,095,989**

For CSL the movement schedule starts with an opening balance of £12.2m from 26 June 2023 as this was the date CSL had active participating members in this pension scheme.

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

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

	SRT	CSL	Group
	£000	£000	£000
Defined benefit obligation at 1 April 2023	**934,233**	**13,983**	**948,216**
Current service cost - employer	24,205	605	**24,810**
Current service cost - employee	6,314	403	**6,717**
Cash contributions - employee	9,669	-	**9,669**
Benefits paid	(32,279)	(202)	**(32,481)**
Interest expense - employer	26,497	319	**26,816**
Interest expense - employee	17,664	213	**17,877**
Effect of changes in financial assumptions	(34,696)	337	**(34,359)**
Effect of changes in demographic assumptions	(26,630)	-	**(26,630)**
Effect of experience adjustments	83,244	90	**83,334**
Defined benefit obligation at 31 March 2024	**1,008,221**	**15,748**	**1,023,969**

For CSL the movement schedule starts with an opening balance of £13.9m from 26 June 2023 as this was the date the Group had active participating members in this pension scheme.

The following assumptions have been used:

	Group	
	31 March 2024 £000	31 March 2023 £000
Rate of increase in salaries	3.2%	3.2%
Rate of increase of pensions	2.7%	2.7%
Discount rate	4.9%	4.8%
Price Inflation Rate (RPI)	3.0%	3.1%
Price Inflation Rate (CPI)	2.7%	2.7%

	SRT 31 March 2024	SRT 31 March 2023	CSL 31 March 2024	CSL 30 June 2023
Post-retirement mortality				
Retiring at Statement of Financial Position date at age 65:				
Male	19.3	20.0	19.1	19.0
Female	22.0	22.7	22.0	22.0
Retiring in 25 years:				
Male	21.0	21.9	20.8	20.8
Female	24.0	24.7	24.0	23.9

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

Assumption	*Change in Assumption*	*Impact on scheme liabilities SRT*	*Impact on scheme liabilities CSL*
Discount rate	± by 50 basis points	Increase/decrease by 9.8%/8.6%	Increase/decrease by 9.6%/10.30%
Inflation assumption	± by 25 basis points	Increase/decrease by 4.1%/3.9%	Increase/decrease by 1.7%/1.7%
Rate of salary increases	± by 25 basis points	Increase/decrease by 1.1%/1.1%	Increase/decrease by 4.7%/4.9%
Post-retirement mortality	± one year rating	Increase/decrease by 2.6%	Increase/decrease by 2.3%

To estimate the DBO, assumptions are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities, and the results based on that single scenario are included in the valuation of the DBO. The future is uncertain, and the Scheme's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward-looking projection over a very long period of time, no one projection is uniquely 'correct', and many alternative projections of the future could also be regarded as reasonable.

A 'sensitivity analysis' shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilised. An indication of the sensitivity of the results to changes in the most material assumptions (i.e. discount rate, salary increases, price inflation, and post-retirement mortality) is shown above, albeit these are not intended to represent the upper or lower bounds.

The defined benefit obligation is estimated using the Projected Unit Credit Method.

The expected future contributions are £18,930k for SRT and £634k for CSL for the year to 31 March 2025.

Virgin Media pension ruling

In June 2023, the High Court Judged that amendments made to the Virgin Media scheme were invalid because the scheme's actuary did not provide the associated Section 37 certificate. The High Court's decision has wide-ranging implications, affecting other schemes that were contracted out on a salary-related basis and made amendments between April 1997 and April 2016. As such, the ruling could have implications for SRT and CSL, including the schemes' defined benefit obligations and subsequent operator adjustments. Following the Court of Appeal upholding the 2023 High Court Ruling on 25 July 2024, a process of investigating any potential impact for the pension schemes is required. As a detailed investigated has not yet been fully performed, SRT and CSL consider that the amount of any potential impact on the defined benefit obligations cannot be confirmed and/or measured with sufficient reliability at 31 March 2024 year end. SRT and CSL will review again in 2025 based on the findings of the detailed investigation.

16. Leases

The Group leases several assets including rolling stock, property and vehicles.

	Group			
	Rolling stock £000	**Buildings £000**	**Plant and equipment £000**	**Total £000**
Right-of-use assets				
Cost				
At 1 April 2023	598,881	3,726	1,034	603,641
Additions	83,142	1,870	514	85,526
At 31 March 2024	**682,023**	**5,596**	**1,548**	**689,167**
Accumulated depreciation				
At 1 April 2023	(99,965)	(745)	(100)	(100,810)
Charged in period	(110,544)	(986)	(486)	(112,016)
At 31 March 2024	**(210,509)**	**(1,731)**	**(586)**	**(212,826)**
Carrying value at 31 March 2023	498,916	2,981	934	502,831
Carrying value at 31 March 2024	**471,514**	**3,865**	**962**	**476,341**

£13.2m of the above additions within rolling stock is in relation to heavy maintenance in SRT.

Obligations under finance leases comprise:

	Group			
Leases expiring within:	**Rolling stock £000**	**Buildings £000**	**Plant and equipment £000**	**Total £000**
Not later than one year	110,355	991	527	**111,873**
Later than one year and not later than five years	259,326	2,354	346	**262,026**
Later than five years	109,483	163	-	**109,646**
	479,164	**3,508**	**873**	**483,545**
Less interest element	(21,296)	(150)	(16)	**(21,462)**
Present value of obligations	**457,868**	**3,358**	**857**	**462,083**

Lease liabilities are analysed as follows:

	Group	
	31 March 2024 £000	**31 March 2023 £000**
Current	**106,040**	89,360
Non-current	**356,043**	398,278
	462,083	**487,638**

The Group does not face a significant liquidity risk with regard to its lease liabilities. The total cash outflow in 2023/24 for leases amounts to £100,632k (2023: £112,258k).

	Group	
Amounts recognised in the Statement of Comprehensive Net Expenditure	**31 March 2024 £000**	**31 March 2023 £000**
Depreciation expense on right of use assets	**112,016**	100,810
Interest charge on lease liabilities	**6,402**	5,138
Expense relating to variable lease payments not included in the measurement of lease liabilities	**621**	292
Expense related to low-value asset leases	**3**	3
	119,042	**106,243**

17. Capital Commitments

	Group		Scottish Rail Holdings	
	31 March 2024 £000	**31 March 2023 £000**	**31 March 2024 £000**	**31 March 2023 £000**
Capital commitments	**6,883**	**7,966**	**-**	**-**

Capital commitments include amounts contracted for but not provided in the financial statements for the purchase of property, plant and equipment.

18. Related Party Transactions

The ultimate controlling party, and sole shareholder, of SRH is the Scottish Ministers. Other transport bodies sponsored by the Scottish Ministers include TS, David MacBrayne Ltd, Caledonian Maritime Assets Ltd and Highlands and Islands Airports Ltd. Of these bodies, TS is regarded as a related party with which SRH has had various material transactions during the period. Grant in Aid of £745.7m was received by SRH from TS during the period, and £743.4m was paid over to SRT and CSL as grant funding.

In addition, SRH and its subsidiaries, SRT and CSL, have had various material transactions with Network Rail during the period, an organisation that is ultimately controlled by His Majesty's Government.

TS employee James L Shedden (Head of Rail Finance) was a nominated director of SRH during the year. James L Shedden resigned as a director of SRH on 1 August 2023.

No SRH Board member, key manager, or other related party have undertaken any material transactions with SRH during the period.

SRH has not undertaken any material transactions with organisations in which a member of the Board may have an interest. The website link to the Registers of Interest of Board members can be found in the Accountability Report on page 30.

19. Events After the Reporting Date

There were no significant events after the reporting date.

20. Transfer of Serco Caledonian Sleepers Limited Assets and Liabilities

On 25 June 2023, SRH's subsidiary, CSL, acquired the assets and liabilities for its business from the previous franchisee Serco Caledonian Sleepers Limited (SCSL) as part of a Net Asset Statement settlement. This resulted in a net liability value transferred of £6,929k and this was the net cash consideration transferred to CSL by SCSL. Assets and liabilities purchased from SCSL included items such as tangible and intangible fixed assets, inventory, prepayments, accruals, and deferred income. The assets and liabilities were transferred under an asset transfer agreement at fair value and there was no goodwill arising.

The table below sets out the amounts which were recognised upon transfer.

	Transfer value £000
Agreed value - settled in cash	
Fixed assets	1,233
Inventories	143
Current assets	252
Current liabilities	(8,557)
Total agreed	**(6,929)**

Appendix to the Accounts

Appendix One

Direction by the Scottish Ministers

Scottish Government
Riaghaltas na h-Alba

Scottish Rail Holdings

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.
2. The statement of accounts for the financial period from 1 November 2021 until 31 March 2023, and for subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial period, and of the state of affairs as at the end of the financial period.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Bill Reeve

Director of Rail

Transport Scotland

On behalf of the Scottish Ministers 31 August 2023

Caledonian Sleeper Limited

Annual Report and Accounts

For the year ended 31 March 2024

Company registration number SC328825 (Scotland)

Performance report

Company information

Chair and Scottish Rail Holdings Limited Accountable Officer	Hannah Ross
Managing Director	Kathryn Darbandi
Executive Directors	Hugh Anderson Graham Eastwood Graham Kelly
Non-Executive Directors	Carolyn Griffiths John MacQuarrie Graeme Cook Campbell Davidson
Company Secretary and General Counsel	Brodies Secretarial Services Ltd Samuel Price
Chair of Audit and Risk Committee	Brian E. Baverstock
Registered office	Basement and Ground Floor Premises 1-5 Union Street Inverness Scotland IV1 1PP
Independent auditor	PwC LLP Chartered Accountants and Statutory Auditors 141 Bothwell Street Glasgow Scotland G2 7EQ

The directors above are those in place on the date of signing the financial statements on 10th December 2024. A detailed table of all the changes in directors throughout the period and up to the date of signature of the financial statements is shown on the directors' report on page 16. Further Company information, including details of the Company's organisation and its group can be found within the directors' report on page 12.

Executive Chair's overview

As Chair of Caledonian Sleeper Limited (CSL), I am pleased to provide an update on the excellent progress that the company has made since its transfer into public ownership on 25 June 2023. The company has performed strongly across all areas of the business, operationally and from a guest experience perspective, whilst also progressing the challenging task of transferring operations from the previous provider, Serco Caledonian Sleepers Ltd, into public ownership.

Our highly skilled board of directors and management team, working alongside key partners in Transport Scotland and Network Rail Scotland, have been relentlessly focussed on delivering a safe, reliable and high-quality service that guests expect and deserve. As this report outlines in more detail, across a number of measures we have done that successfully.

None of this would have been possible without the dedication and commitment of the staff of CSL who regularly go above and beyond their core duties, openly demonstrating the company values of Togetherness, Respect, Integrity, and Passion. To "delight our guests" remains our simple but powerful vision.

Hannah Ross

Chair and Scottish Rail Holdings Limited Accountable Officer

Managing Director's Overview

Following a successful transfer to public ownership on the 25th June 2023, during its first 9 months of operations, CSL achieved the following:

- 15.3% increase in passenger journeys. (2023/24: 305,916 vs 2022/23: 265,418)
- Exceeded its key performance targets for Right Time Performance and Guest Satisfaction.
- Developed a partnership with food charity City Harvest to redistribute surplus food to local community groups, helping to tackle food waste and hunger.
- Launched a new dedicated, fully accessible guest lounge at London Euston which had over 7,000 guest visits during the first three months of 2024.

All of the above has been achieved against a backdrop of CSL having to withdraw 8 of its 75 coaches from service from the start of January 2024, due to bodywork cracking resulting from a design defect.

Our team have worked tirelessly to seek to minimise the operational and financial impact of this issue and develop and implement a technical solution which we expect will allow the full fleet to be safely reintroduced into service in early 2025.

Our staff are critical to our success. We have a highly motivated and skilled workforce who go above and beyond every day to deliver our vision of delighting our guests.

We have made a very significant commitment to staff engagement through initiatives such as our Annual Recurring Training programme which sees every member of our workforce participate in two days of face-to-face group training sessions. CSL's company values of Togetherness, Respect, Integrity, and Passion were designed from the ground up based on staff feedback obtained through the Annual Recurring Training sessions and we are proud to have a team that live those values every day.

Positive trade union relations have also contributed to our success in 2023/24, with CSL one of the few railway operators to have no customer-impacting industrial action in the year. We work very closely with trade union colleagues and meet regularly to discuss a range of issues, including pay, safety and security, revenue, recruitment, and more. Where disputes or issues have arisen, we have been able to continue to engage constructively and collaboratively to find ways to resolve them. Our trade union representatives are keen to see the iconic Caledonian Sleeper Limited brand go from strength to strength in public ownership and work with us to deliver that. During its first 9 months of operations, Caledonian Sleeper Limited has developed a Business Plan for 24/25 to maximise our contribution towards the Scottish Government's National Performance Objectives (NPF) and National Transport Strategy 2 (NTS). This is achieved in collaboration with Transport Scotland and Scottish Rail Holdings (SRH) by developing our plans and objectives based on the following agreed key rail policy areas, which map to the NPF and NTS as illustrated below.

Scottish Government National Performance Framework Outcomes

Human Rights	Culture	Environment	Health	Fair Work & Business	Education	Children	Communities	Poverty	International	Economy
We respect protect and fulfil human rights and live free from discrimination	*We are creative and our vibrant and diverse cultures are expressed and enjoyed widely*	*We value, enjoy, protect and enhance our environment*	*We are healthy and active*	*We have thriving and innovative businesses, with quality jobs and fair work for everyone*	*We are well educated, skilled and able to contribute to society*	*We grow up loved, safe & respected so that we realise our full potential*	*We live in communities that are inclusive, empowered, resilient and safe*	*We tackle poverty by sharing opportunities, wealth and power more equally*	*We are open, connected and make a positive Contribution internationally*	*We have a globally competitive, entrepreneurial, inclusive & sustainable economy*
CSL Policy Compendium										
•Accessible Travel •People & Culture •Sustainability	•Brand & Marketing •Tourism •Business Development •Sustainability	•Active Travel •Climate Resilience •Sustainability •Rolling Stock •Transport Integration	•Active Travel •People & Culture •Sustainability •Transport Integration	•Business Continuity •Business Development •Customer Engagement •Guest Lounges •Retail & Ticketing •Passenger Train Reliability •Pensions •People & Culture •Rolling Stock	•Community Rail •People & Culture •Sustainability	•Accessible Travel •Community Rail •People & Culture •Sustainability •Transport Integration	•Community Rail •Guest Lounges & Stations •Sustainability •Transport Integration	•People & Culture •Retail & Ticketing •Sustainability •Transport Integration	•Business Development •Tourism •Transport Integration	•Brand & Marketing •Business Continuity •Business Development •Retail & Ticketing

Scottish Government National Transport Strategy

Reduces inequalities	Takes climate action	Helps deliver inclusive economic growth	Improves our health and wellbeing
• *Will provide fair access to services we need* •*Will be easy to use for all* •*Will be affordable for all*	•*Will help deliver our net-zero target* •*Will be easy to use for all* •*Will be affordable for all*	•*Will get people and goods where they need to get to* •*Will be reliable, efficient and high quality* •*Will use beneficial innovation*	•*Will be safe and secure for all* •*Will enable us to make healthy travel choices* •*Will help make our communities great places to live*
CSL Policy Compendium			
•Accessible travel •Active Travel •Community Rail •People & Culture •Retail & Ticketing •Sustainability •Transport Integration	•Active Travel •Climate Resilience •Sustainability •Rolling Stock	•Brand & Marketing •Business Continuity •Business Development •Customer Engagement •Retail & Ticketing •Pensions •People & Culture •Passenger Train Reliability •Guest Lounges & Stations •Tourism •Rolling Stock •Transport Integration	•Active Travel •Community Rail •People & Culture •Sustainability •Transport Integration

As a public body, CSL is committed to transparency regarding our performance, and we will publish an annual report on our delivery against our agreed policy objectives and KPIs in the coming year.

Alongside maintaining a high performing business and delivering stretching targets during 2024/25 CSL will complete a major programme of work to replace back-office services and systems currently provided by Serco. This will create more good quality jobs in Scotland, reduce our dependency on outsourcing and set up Scotland's iconic Caledonian Sleeper service up for continued success in the future.

Achievements of the Company in the year

In the financial year from 26/06/2023 – 31/03/2024 CSL successfully transitioned into the public sector whilst maintaining strong financial and operating performance.

Key achievements for 2023/24 include:

- 87.24% of our trains arrived within 59 seconds of the advertised arrival time against a contractual target of 80%.
- 86% of our Guests rated our service with 3 stars or above against a contractual target of 85%.
- Opening of our new dedicated Guest Lounge at London Euston Station.

Much of the above was made possible by the entire CSL team being retained within the business following the transfer from Serco Caledonian Sleeper Limited to CSL which provided stability and continued focus in the business.

Performance Analysis

This section of the report provides a detailed review of CSL's activity and performance against our objectives.

Operational performance

Operational performance for the 2023/24 year continues to improve for our service with the moving annual average for right time arrivals sitting at 87.24% (arrival of service within 59 seconds of booked time). This is significantly above our Grant Agreement Target of 80% and demonstrates our continued commitment to the performance of our service. This has been a culmination of initiatives including changes to our operational control and robust oversight and partnership with our suppliers on the delivery of the locomotive and coach fleets.

We also track boarding performance as this is an important element of the Guest Experience, while not a contractual target we continue to grow performance in this area as well with the moving annual average at 90.86% of our Guests boarding on time, our highest ever at the end of the 2023/24 year.

Transport Focus independently measures CSL's guest satisfaction. Guests are surveyed throughout the year and the company gains actionable insight from the rich data. Since being in the public sector, 86% of our guests have rated our service as 3 or more stars out of 5. The moving annual average at the end of the rail year was 87% compared with 85% the previous rail year. All rail companies in Great Britain have their passenger satisfaction measured by Transport Focus. The average overall satisfaction score for the rail industry is 85% very or fairly satisfied.

Customer complaints referred to the Office of Rail and Road were 0.3 per 100 guests travelled since being in the public sector. This compares favourably with 0.6 per 100 guests for the same periods in the previous year.

Safety and performance

Our safety performance over the last year has delivered improvements in several areas. Our accident frequency rates for guests are on a downward trend from the last two years and our employee lost time injuries follow that same downward trajectory. Our reportable accidents and incidents to the ORR and the Rail Accident Investigation Branch (RAIB) are lower than 22/23. (23/24: 3 reports to ORR, 1 report to RAIB. 22/23: 3 reports to ORR, 3 reports to RAIB.)

In 2023/24, CSL's Staff Lost Time Injuries resulting in absence was 2 (against a threshold of 3) and passenger accidents were 38 (against a threshold of 25). Passenger accidents related to minor injuries. These results should be seen in the context of CSL having 274 staff and 305,916 passenger journeys in the year.

In order to ensure the safety of staff CSL is looking at additional mitigation measures and will trial the use of body worn video cameras (BWVC) which, if successful, we will look to introduce at a point in the future in full consultation with our onboard colleagues and their representatives.

Our proactive approach is demonstrated through our Leadership Tours and inspection schedules where our delivery performance was either on or ahead of target. Leadership Tours in particular demonstrate a good level of engagement between management and front-line staff and are invaluable in understanding what safety and security issues that our colleagues are concerned about and where we can involve them in making improvements.

In addition, our Annual Recurring Training (ART) for all staff had safety and security at its core, with sessions devoted to conflict management and refresher training for the security protocols on board our trains and at stations with a reminder of HOT and WHAT procedures.
The decision to train some of our staff as lead auditors is another positive step forward. In simple terms, this means enhanced skills within our own teams which will allow us to have an even greater level focus on our

key suppliers and given the CSL operational model of dependency on suppliers of safety critical staff and activities and the risk that is imported this is a crucial assurance area for CSL, audits along with our inspection regime continue to yield positive results through continual improvement of our suppliers and our own processes and procedures.

Sustainability

Detailed information on environmental matters can be found within the Streamlined energy and Carbon reporting section within the Directors' report.

Financial performance

The Company receives an annual budgetary allocation from SRH, split by spending source that aligns with government budget allocations. The below table sets out the Company's full year outturn result by spending source and compares to the allocation agreed.

Outturn analysis

	Actual (FReM) 2023/24 £'000	**Revised Budget allocation 2023/24 £'000**	**Variance 2023/24 £'000**
Resource (RDEL)	23,900	23,900	-
Capital (CDEL)	6,668	6,668	-
Operating Sub total	**30,568**	**30,568**	**-**
Non-cash (RfDEL)	42	-	(42)
AME Costs (AME)	661	661	-
Lease Accounting	66,202	66,202	-
Total	**97,473**	**97,431**	**(42)**

Due to CSL being mobilised part way through the fiscal year, the budget reflects the final suballocation of SRH's group budget to cover the net cost of operating Caledonian Sleeper services to 31st March 2024.

Statement of financial position

As at 31 March 2024 the Company had total assets of £78.6m.

Cash balance

The Company had a cash balance of £5.4m as at 31 March 2024. This was mainly made up of a £1.5m working capital loan, held with the parent company SRH, and the operating grant award paid by SRH in advance of rail period one of the next financial year.

More detailed financial analysis can be found in the Directors' Report on page 12 and in the notes to the financial statements on pages 36 to 61.

Strategic Report

Business review and results

As the Company operates under a Grant Agreement, grant income was received throughout the year from SRH to fund all costs, net of revenue generated. Further detailed information on results in the year, company performance, and financial information can be found within the Performance report.

Company position at year-end

The balance sheet and cash position of the company at the year-end can be found in the summary financial performance section of the performance report on page 8.

Our employees

CSL's people are vital to the success of the Company's organisation. A detailed analysis of staff numbers and remuneration is shown in the remuneration and staff report section of the accountability report on pages 24 to 27.

Principal risks and uncertainties

The Company maintains a register of key risks. The risks which could have an impact on the Company's strategic goals and objectives are overseen by the Executive team and the Audit and Risk Committee (ARC). Principal risks identified and measures to mitigate are as noted below:

Withdrawn Coaches

As described above, 8 of the 75 coaches were removed from service due to a design defect which has resulted in some car body cracking. The remaining coaches are subject to an ongoing inspection regime to ensure they are unaffected. If additional coaches are identified as suffering from the same issue and are required to be withdrawn from service, this will impact our capacity and potentially the ability to operate services to all planned destinations. The main mitigation to this risk is ongoing work with the manufacturer to design and implement an appropriate solution, which will allow affected coaches to be safely reintroduced into service while a permanent design solution is developed for the full fleet.

Operational Safety

Like all rail operators, managing safety risk is an overriding priority for CSL. We manage this through our safety management system and an annual Safety and Security Plan. In addition, as our operations are significantly dependent on key suppliers, a key mitigation is the assurance that we undertake on our supply chain. We have trained a number of staff as lead auditors to assist us in undertaking an assurance programme.

Replacing Shared Services and Systems

Delivery of our ongoing transition programme to replace Serco back-office systems and shared services is critical to our future success and business continuity. A programme team and governance structure, including programme level risk management arrangements, have been put in place to deliver this programme of work, overseen by a Steering Group and enhanced Board reporting.

Cyber Attack

The Company faces the risk of a Cyber Attack impacting the availability, confidentiality, or integrity of its systems. We are developing our internal policies, procedures, governance, and assurance activities to manage information security risk, supported by specialist infosec resource.

Data breach

The risk of a data breach occurring in relation to guest or staff personal information. As with cyber security, we have been working as part of our transition programme to develop appropriate policies, procedures, governance and assurance activities to manage this risk and replace previous Serco Group level support in this area.

Failure or disruption arising from a key supplier

Failure or disruption arising from a key supplier, particularly the key suppliers involved in running our daily operations is a critical risk for the Company. To mitigate this risk, we have put robust procedures in place to manage procurement and contract management activities, have trained up a team of internal auditors to undertake a programme of supplier audits and are developing supplier assurance strategies for our key suppliers.

Climate change and the impact on rail infrastructure and operations

Increasingly severe weather events such as floods, storms, and heatwaves can damage tracks, bridges, and signalling systems, leading to service disruption. As a long distance cross border operator CSL is exposed to this risk across a large area of the UK rail network. We work closely with Network Rail and ScotRail on this issue via the Sustainability Programme Board to ensure that the challenges for CSL associated with infrastructure are well understood and part of NR's strategic plans. We also engage with Network Rail at a national level and across the other regions involved in our service delivery to ensure CSL's interests are represented. We participate in the RSSB led Sustainability Forum and Climate Change Adaptation Working Group to discuss sustainability and climate change initiatives across the whole of the UK, which will directly influence climate change resilience and adaption items CSL can utilise during operations.

Community Engagement

CSL currently have two charity partners in place; Give a Dog a Bone and Railway Children which we support in fundraising activities they hold as well as consider opportunities to promote a positive rail safety environment within schools. Work is ongoing to consider further ways we can work with these partners.

We have partnered with food waste charity, City Harvest to donate all our unsold food items from onboard. City Harvest collects this food waste and prepares it for delivery to food banks and charities. This food would traditionally be sent to landfill so avoiding this waste has led to feeding people that need it and reducing the greenhouse gas emissions associated with landfilling these food items.

We employed a new Environment, Sustainability and Social Governance (ESSG) manager in March 2024, aimed at promoting ESG across the business and reporting on all environmental matters, including emissions associated with our activities, waste arisings, and improving social value for the communities we serve on our routes. The ESSG manager will also produce our ESG Strategy during 2024/25.

Anti-corruption and bribery

As part of our wider compliance programme which has been initiated to ensure that CSL addresses all legal compliance requirements arising from its transition to the public sector and exit from the Serco Group compliance structure CSL has worked to address the requirements of the Bribery Act 2010 by developing its own Bribery and Gifts and Hospitality policies and e-learning training for all staff, which were launched shortly after the end of the 2023/24 financial year.

Social matters and human rights

We have recruited an Environment, Sustainability and Social Governance (ESSG) Manager and are working to develop an ESG strategy during 2024 that will consider how we maximise our wider social, economic and environmental benefits in line with Government's wider policy objectives for rail. Social value will also form a key aspect of our wider business planning and long-term strategic planning, as further described within the Managing Director's summary.

DocuSigned by:

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Kathryn Darbandi
Managing Director
10th December 2024

Accountability Report

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2024.

Principal activities

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

Company history

The Company was established under the Companies Act 2006 as SOLR2 Limited; a Company limited by shares wholly owned by the Scottish Ministers acting through Transport Scotland, changing its trading name to Caledonian Sleeper Limited on 2nd March 2023. On 25th June 2023, Serco Caledonian Sleepers Ltd services transferred into Caledonian Sleeper Limited (the 'Company') under public control and ownership. The Company is overseen by SRH, which is an arm's length company owned and controlled by the Scottish Government.

SRH acts as the owning group of the Company and provides separation between Transport Scotland as strategic policymakers and the direct management of train service delivery for the Company. SRH was set up with the purpose of overseeing the governance of rail passenger services provided by train operating companies in Scotland in accordance with the Scottish Ministers' duties under Section 30 of the Railways Act 1993.

Business model

The Company operates under a Grant Agreement with the Scottish Government and Caledonian Sleeper Limited. The contract commenced on 25th June 2023. Prior to this date, the Company did not trade. The Grant Agreement has a final expiry date of 25th June 2033. The Company operates overnight sleeper trains between London and Scotland, working with key partners including Network Rail, maintenance providers, locomotive and train driver providers, and rolling stock leasing companies which own the trains that are leased by the Company.

Results and Dividend

CSL's reported financial performance for the year ended 31 March 2024 shows revenues for the year of £54.7m (2023: £nil), which includes £29.9m (2023: £nil) of grant income. The Company made a loss of £19,299 which wholly relates to notional interest charged on the Working Capital Loan provided by SRH (2023: £nil).

No dividend will be paid by CSL due to the nature of the financial arrangement with the immediate parent, SRH, and the ultimate parent, Scottish Ministers.

Corporate structure

SRH is the immediate parent Company and single shareholder. In line with governance rules, financial and strategic information is shared with SRH to ensure its leadership team is fully aware of the Company's performance and future plans and to allow the parent company to perform their duties as an oversight function of the group.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK adopted International Accounting Standards.

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

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

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

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

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

Statement of Accountable Officers' Responsibilities

Under the Public Finance and Accountability (Scotland) Act 2000, the Scottish Government has appointed the SRH Chief Executive Officer as Accountable Officer of the SRH Group. The responsibilities of an Accountable Officer include personal responsibility for the propriety and regularity of the finances under their stewardship and for the economic, efficient and effective use of all related resources. This includes compliance with relevant guidance issued by Scottish Ministers, in particular the Scottish Public Finance Manual, the Framework Agreement defining the key roles and responsibilities which underpin the relationship between CSL, SRH and the Scottish Government, and the Financial Memorandum set out in the Framework Agreement.

Under the Public Finance and Accountability Act (Scotland) 2000 the Accountable Officer must not approve the accounts unless they are satisfied that they have been prepared on an accruals basis, and that they give a true and fair view of the state of affairs of CSL and of its income and expenditure, Statement of Financial Position, and cash flows for the financial period. In approving the accounts, the Accountable Officer is required to:

- Observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable, relevant, prudent and reliable.
- State whether they have been prepared in accordance with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM), and with the Companies Act 2006.
- Assess CSL's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate CSL or to cease operations or have no realistic alternative but to do so.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced, and understandable.

The Accountable Officer is responsible for ensuring the keeping of adequate accounting records that are sufficient to show and explain CSL's transactions and disclose with reasonable accuracy at any time the financial position of CSL and enable them to ensure that its accounts comply with the FReM and Accounts Direction applicable to the period issued by the Scottish Ministers (a copy of the Accounts Direction is included at Appendix One). The Accountable Officer is responsible for such internal controls as they determine necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Accountable Officer is responsible for the maintenance and integrity of the corporate and financial information included on the CSL's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Accountable Officer considers the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for stakeholders to assess CSL's position and performance, business model and strategy.

Where there is a choice of accounting policy, the one judged to be most appropriate to the particular circumstances of CSL for the purpose of giving a true and fair view has been selected. They have been applied consistently to items that are considered material to the accounts.

As Accountable Officer, I have taken all the steps that I should have taken to make myself aware of any relevant audit information and to establish that CSL's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

In addition to company law and IFRSs, the directors and Accountable Officer must adhere to the reporting requirements set out in FReM (Government Financial Reporting Manual 2023-24) as issued by HM Treasury, to the extent that the FReM does not conflict with the requirements of the Companies Act 2006. Where there are any conflicts between the requirements of the Companies Act 2006 and the FReM, the Companies Act 2006 takes precedence.

Signed by:
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Hannah Ross
Chair and Scottish Rail Holdings Limited Accountable Officer
10th December 2024

Directors

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

Chair and SRH Accountable Officer	David LOWRIE	Resigned 28 June 2024
	Hannah ROSS	Appointed 23 September 2024
Managing Director	Kathryn DARBANDI	Appointed 25 June 2023
Executive Directors	Graham EASTWOOD	Appointed 01 December 2023
	Graham KELLY	Appointed 06 September 2023
	Hugh ANDERSON	Appointed 17 April 2024
	Christopher GEMMELL	Resigned 29 February 2024
Non-Executive Directors:	Graeme COOK	Appointed 27 June 2024
	Campbell DAVIDSON	Appointed 27 June 2024
	Carolyn GRIFFITHS	Appointed 26 June 2023
	John MACQUARRIE	Appointed 9 March 2023

People & Employee Engagement

Our colleagues are at the heart of the success of our business. By investing in our People by developing their skills, providing empowering training programmes and engagement, the goal is to have a culture of a motivated, productive, and proud workforce.

Colleague attendance has improved, with absence reducing to 4.8% from 5.8%. Attrition remains low at 0.4% across the business, a trend which we expect to continue into 2024/25.

The business continues to create a more diverse and inclusive workforce, we have created the Equality Colleague Forum helping to develop the Equality Strategy & Action Plan and supporting business owners in delivering equality initiatives. The long-term plan is to further improve the diversity of the business reflective of the communities it serves.

The CSL Recognition programme continues to inspire our colleagues to live the best of our Values with a high standard of nominations, including 57 nominations in the last period with 23 winners chosen. The Sleeper Star Recognition programme has been extended to include our valued partners. CSL have recently launched the Hero award, to recognise colleagues doing the extraordinary in unprecedented circumstances our industry can present, with two teams having won this new award over April and May 2024, for their response to medical emergencies on board.

CSL Colleagues continue to attend quarterly Business Briefings, engaging colleagues in our Business Strategy, Business Commitments and providing a platform for in person connection and recognition. These key messages are also cascaded to the wider business to build visibility and develop engagement.

As we transition to our own CSL platforms and processes, we are setting up our HR operating model, building, and developing our in-house people capabilities and processes. The People team are supporting our managers and teams through this change, supporting colleagues by giving them the tools and information they need to navigate the changes ahead. We are also empowering our People Managers to lead their teams through Change, and Team Leader training to help leaders inspire, lead effectively, and develop our teams.

Diversity and Inclusion

CSL is committed, in line with our organisational values and obligations as a public sector organisation to take positive steps to eliminate discrimination and promote diversity in all aspects of how we manage our business. We utilise the Equality Impact Assessment process to inform our decision making and are taking further steps to embed Equality into our thinking, such as establishing an internal equality forum and providing training on this topic to all staff.

Our commitment to equality and promoting diversity above extends to CSL's role as an employer. As CSL completes its transition away from Serco shared services and builds up its internal HR capability, we have committed to developing our future HR strategies during 2024. These will include a diversity and inclusion strategy which will be developed in collaboration with our staff, trade union colleagues and key external stakeholders.

Fair Work First Policy

CSL adopts the Scottish Government Fair Work First policy and ensures that best practice is applied within our organisation and subsidiaries. Examples of this include appropriate channels for effective voice including trade union recognition, investment in workforce development, no inappropriate use of zero hours contracts, action to tackle the gender pay gap, payment of the Real Living Wage and as mentioned above, developing a more diverse and inclusive workplace.

There are leadership briefings and team meetings scheduled each month which provide an overview on financial and operational performance for CSL.

Streamlined Energy and Carbon Reporting (‘SECR’)

CSL, by its very nature, contributes positively to the Scottish Government’s net-zero by 2045 ambition by providing passengers with an opportunity to undertake a modal shift from private car use and domestic flights to connect London with key Scottish locations. CSL helps deliver against the following:

- Scottish Government’s National Transport Strategy 2
- Scottish Government’s Scotland’s National Strategy for Economic Transformation
- Scottish Government’s National Performance Framework
- Scottish Government’s Mission Zero for Transport
- Transport Scotland’s Rail Services Decarbonisation Action Plan
- The United Nations Sustainable Development Goals

This Annual Report covers the period from CSL becoming a public sector company (June 2023 to March 2024). Key performance indicators (KPIs) will be created and monitored during FY 2024/25 as part of the ESG strategy, which will be reported on within our next Annual Report, alongside further key improvements and commitments made towards reducing our greenhouse gas and climate impacts.

Our fleet operate on a bi-modal system, utilising electricity wherever possible and diesel where this is not. Generally, all routes south of the central belt of Scotland operate using electricity and for routes between the central belt and our northern destinations, diesel is utilised as the fuel source. CSL continues to support the electrification of the whole network and evaluate options for its future locomotive strategy which would allow us to eliminate the requirement of diesel as a fuel source.

Key achievements during the year:

The following data sets out the Company's scope one and two greenhouse gas emissions from operational activities, and other key metrics. It should be noted that CSL are only able to utilise data from Period 4 of FY 23/24, when it became a public sector company. The below data is for Rail Period 4 to Rail Period 13. Data used to calculate tCO_2e based on UK Greenhouse Gas Conversion Factors 2023, assumed diesel is average biofuel blend.

	2024
Emissions resulting from:	
Combustion of gas & consumption of fuel for the purpose of transport (t CO_2e)	3,741
Purchase of electricity for its own use (t CO_2e)	2,129
Total gross emissions (t CO_2e)	**5,870**
Intensity ratio - grams of CO_2e per passenger kilometre	**36.65**

Energy consumption used to calculate emissions:	2024
Kilowatt Hours	10,281,714
Litres of diesel consumed	1,197,980
Kilometres travelled	14,966,692

(km travelled means total vehicle km. Data obtained from Network Rail)

Future Developments

The Company made several improvements during the year to grow revenue, promote our brand, and invest in the future. This included the launch of our new flagship lounge at Euston, investing in developing our teams and internal systems to allow us to eliminate reliance on outsourcing of shared services, a highly successful marketing campaign to increase winter patronage and revenue and development work on a new website which will drive revenue and significantly enhance our online brand presence and guest experience.

As noted above, we have developed a Business Plan for 2024/25 which sets out our key deliverables and KPIs, aligned to delivery of the overarching Scottish Government policy objectives for rail. Work has been started to develop a long-term strategic plan out to 2030, including a locomotive feasibility study which will review options for future locomotive supply and associated decarbonisation opportunities, a Lounge Strategy which sets out a vision to develop the guest proposition building on the success of the new flagship Euston lounge, and a study by Fraser of Allander Institute on the economic benefits that the Caledonian Sleeper brings to Scotland, which will inform our future market growth strategy.

In addition to this we are further developing our management framework for Environmental and Health management.

Customers

From guest surveys we can assess that the customer base that uses the service is relatively stable at 76% leisure, 24% business. The implication of this is that a high proportion of guests are first time travellers - there is a need to market the service to attract new customers every year. Unlike other Train Operating Companies, customers can book the service up to 12 months in advance. The average booking horizon is approximately 120 days. Over 70% of customer sales are from England or overseas. This map of ticket purchases by UK postcode is shown below.

Our stakeholders and suppliers

CSL is committed to forming partnerships with suppliers providing goods and services to our business. CSL considers suppliers as part of the Sleeper family and therefore focuses on ensuring that all suppliers share our commitment to strong ethical business practices and values.

Supplier pay policy

The Company, like other public sector organisations, is bound by the Late Payments of Commercial Debts (Interest) Act 1998, which requires payment to be made within 30 days of receipt of a valid invoice, or any other period the contract terms may specify. It is CSL's policy to agree terms of payment when orders for goods and services are placed and adhere to those arrangements. In addition, CSL is working towards complying with the Scottish Government's target of making payment of authorised invoices within 10 days of receipt. This payment timescale will be adopted as our policy from Q2 2025, on completion of our current business transition programme.

Political and charitable donations

The Company made charitable donations of £nil in the year. There were no political donations made in the year £nil.

Freedom of information

CSL has successfully implemented a regime to comply with the requirements of the Freedom of Information (Scotland) Act 2002. This includes adopting a Publication Scheme based on the Scottish Information Commissioner's Model Scheme and responding to requests for information received from the public. During the year to 31st March 2024, Caledonian Sleeper Limited responded to 21 FOI requests and has received 0 requests to review the way it handled those requests.

Subcommittees

Audit and Risk Committee

The Company has an established Audit and Risk Committee (ARC) to monitor issues of risk, control, and governance and associated assurance through a process of constructive challenge. The committee reviews and reports to the Board on the planned activity and results of both internal and external audit, including the adequacy of management response to issues identified by audit activity. The ARC also reviews the accounting policies, the financial statements and annual report of the organisation. The ARC has been chaired by Brian Baverstock, Non-Executive Director of Scottish Rail Holdings since it was constituted in December 2023.

Safety, Health & Environmental Committee

The Company has an established Safety, Health and Environmental Committee (SHEC). The purpose of the SHEC is to satisfy itself of the overall adequacy and effectiveness of the:

- Safety, health and environment strategies, systems, policies, practices to deliver the business objectives; and
- Compliance with safety, health, and environmental legal requirements.

The SHEC reviews and reports to the Board on the above matters and such other matters relating to health and safety as may appear to it to be necessary or are referred to it by the CSL Board. Carolyn Griffiths, Non-Executive Director of CSL and SRH has been the chair of the SHEC since it was constituted in September 2023.

Amounts payable to auditors for non-audit work

Fees payable for non-audit services provided by the appointed auditors for the year were £nil.

Personal data incidents

There were two personal data related incidents notified internally to our compliance function, both of which were determined after internal investigation not to meet the materiality threshold for notification to the Information Commissioner's Office in terms of its guidance, which takes into consideration the extent and nature of the data involved and the likelihood of harm resulting to individuals. Appropriate management steps were taken in both cases to investigate the incident, ensure that appropriate management actions had been taken to mitigate any resulting risks.

Other disclosures

There are no other disclosures publicised by HM Treasury Public Expenditure System ('PES') papers.

Going concern

The Company is wholly owned and overseen by SRH, which is an arm's length company owned and controlled by the Scottish Government. The Company operates under a Grant Agreement with SRH under an initial five-year term to the First Expiry Date 01 April 2030. There is an automatic extension which extends the term to a Final Expiry Date 25 June 2033. The Grant Agreement includes a Grant Payment mechanism which reflects the cash requirements for the Grant Term.

The Directors have considered the Company's ability to continue to trade for a period of at least 12 months from date of signing, with reference to a detailed budget and relevant financial information. The Company holds a detailed budget, and has confirmed funding, for the year ending 31 March 2025 and an outer years budget to 31 March 2029.

Given that the Grant Agreement First Expiry Date does not fall within at least 12 months from the date of approval of the financial statements and no significant events have been noted that would cast doubt over the Company's ability to continue operations, the Directors are satisfied that the Company has sufficient resources available to meet is financials obligations as they fall due for a period of at least 12 months from the date of signing.

Accordingly, the financial statements have been prepared on a going concern basis.

Governance Statement

SRH, as the Company's parent company has an internally generated Governance Code. Whilst the Company has not formally adopted this or another corporate governance code, it has applied its own corporate governance arrangements commensurate with its size and complexity.

For disclosure purposes, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has adopted the Wates principles for large private companies as an appropriate framework for corporate governance. Each of the 6 Wates principles have been considered individually within the context of the Company's operations. A supporting statement has been set out below detailing how the Board Composition, Opportunity and Risk, and Executive Remuneration principles have been applied.

The principles of Purpose and Leadership and Directors' Responsibilities are set out within the section 172(1) statement within the Strategic report. The Directors' Responsibilities statement has also been set out on page 13. The principle of stakeholder relationships has been set out per the stakeholder engagement section within the Strategic report.

Governance Framework

Risk Management Arrangements

CSL has identified and assessed key risks it faces, and these are captured on a strategic risk register which is regularly reviewed by both senior management and the Board. Formal risk management arrangements were developed further throughout the year 2023/24 however as the Company is in its first year of operation these arrangements are ever evolving.

The principal and emerging risks are evaluated by the ARC which is detailed in the Directors Report within the Accountability Report. More detail on the risks themselves is given in the Performance Report.

Regular monitoring, review and assurance is achieved through the regular Board and subcommittee meetings. The following information is provided at the regular Board meetings: Managing Director's executive summary, CSL operational and performance update, CSL finance update, and a communications update.

Information Governance

There have been no significant lapses of data security during the year ended 31 March 2024.

The Governance Statement relates to the systems that have been in place for the year under review and up to the date of the approval of the annual report and accounts.

Review of Effectiveness

To support the review of the adequacy and effectiveness of CSL's governance arrangements and the preparation of the Annual Governance Statement, the CSL senior management reviewed the governance arrangements in place during 2023/24 supported by a checklist based on guidance contained within the Scottish Public Finance Manual.

This requires senior managers to review various aspects of CSL's management arrangements including risk management, business planning, financial management, project management, procurement, human resources, information security/management and health and safety arrangements and advise of any specific issues which might need to be identified in the Annual Governance Statement.

Arising from this process, CSL senior management have confirmed that they considered that generally adequate corporate governance arrangements and financial controls were in operation within CSL during 2023/24.

Significant Issues

CSL senior management have confirmed that they considered that generally adequate corporate governance arrangements and financial controls were in operation and that no significant issues were identified within CSL during 2023/24.

Events after the reporting date

There were no significant events after the reporting date.

Indemnification of Directors and Officers

The Company's Parent Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against the Directors of the Company. This was in force during the financial year and there was no utilisation of the insurance during the current financial year and up to the date of signing these financial statements.

Directors’ statement as to disclosure of information to auditor

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

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

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

Section 172(1) statement

The Directors of the Company must act in accordance with a set of general duties. These duties are detailed in Section 172(1) (a - f) of the Companies Act 2006, which is summarised as follows:

A Director of a Company must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard to the following matters:

a) the likely consequences of any decision in the long-term;

b) the interest of the Company’s employees;

c) the need to foster the Company’s business relationships with suppliers, customers and others;

d) the impact of the Company’s operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the Company

Independent auditor

The auditors, PwC LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Board meeting at which these financial statements are approved.

The Directors present their report and the audited financial statements for the year ended 31 March 2024. These financial statements have been prepared in accordance with a form directed by the Scottish Ministers.

The financial statements on pages 34 to 61 were approved by the Board on 10 December 2024 and signed on its behalf by:

DocuSigned by:
Kathryn Darbandi
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Kathryn Darbandi
Managing Director

Directors' attendance at Board meetings

Attendance at Board meetings from 25 June 2023 to 31 March 2024 is shown in the table below:

Name	Invited	Attended
David Lowrie	9	8
John MacQuarrie	9	8
Emma Dixon	9	8
Carolyn Griffiths	9	9
Kathryn Darbandi	9	9
Christopher Gemmell	8	8
Graham Kelly	6	6
Graham Eastwood	3	3

Conflicts of interest procedures

Procedures are in place to ensure directors comply with their duties in relation to conflicts of interest. Board directors are obliged to provide details at the start of each Board meeting of any direct or indirect interests that conflict with, or may conflict with, the Company's interests.

Staff and Remuneration Report

Remuneration policy

The CSL Board oversees the company's compliance with the relevant sections on pay and performance as outlined in their Framework Agreement and the Scottish Public Finance Manual, ensuring adherence to Scottish Government pay policies in particular. This includes approving the pay and incentive structures for senior management, including CSL Directors.

For all other employees, the Company submits a pay remit to the Scottish Government (normally annually, unless a multi-year deal has been agreed), which is within the terms and conditions set out in the Scottish Government's Public Sector Pay Guidance. Once approved, a pay settlement is negotiated with the relevant Trade Unions.

The below information disclosed is in relation to the Company's statutory executive directors.

Executive Directors' remuneration

Year ended 31 March 2024		Salary & Allowances *(1)*	Performance Pay/Bonuses *(2)*	Non-Cash Benefits *(3)*	Accrued Pension Benefits *(4)*	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
Kathryn Darbandi	Managing Director	160-165	-	1.7	40	205-210
Graham Kelly	Commercial & Procurement Director	75-80	-	2.7	65	145-150
Chris Gemmell	Finance Director	90-95	-	0.6	24	115-120
Graham Eastwood	Operations Director	75-80	-	0.4	50	125-130

(1) Salary and allowances are disclosed in bands of £5,000. This remuneration is inclusive of any compensation for loss of office.

(2) Performance pay / bonuses payable are disclosed in bands of £5,000. No performance pay or bonuses were paid in the years presented.

(3) Non-cash benefits are disclosed to the nearest £100. The directors of The Company received a combination of Car Allowances & Medical Insurance.

(4) The value of pension benefits accrued is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to the transfer of pension rights.

Year ended 31 March 2024		Total accrued pension at pension age as at 31/03/2024 & related lump sum *(5)*	Real increase in pension and related lump sum at pension age *(6)*	Opening CETV 25/06/2023 *(7)*	Closing CETV (7) 31/03/2024	CETV: Increase net of members' contributions (8)
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
Kathryn Darbandi	Managing Director	0-5 plus lump sum 0-5	0-5 plus lump sum 0-5	0	29	15
Graham Kelly	Commercial & Procurement Director	10-15 plus lump sum 20-25	0-5 plus lump sum 0-5	60	80	16
Chris Gemmell	Finance Director	0-5 plus lump sum 0-5	0-5 plus lump sum 0-5	0	8	4
Graham Eastwood	Operations Director	5-10 plus lump sum 5-10	0-5 plus lump sum 0-5	25	30	1

(5) The accrued pension and (where applicable) related lump sum at pension age (ministers, age 65) is shown in bands of £5,000.

(6) The real increase in annual pension and (where applicable) related lump sum at pension age (ministers, age 65) is shown in bands of £2,500

(7) Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by the member. It is the amount which would be offered by the scheme to transfer the members benefits into another scheme as at 31/03/2024.

(8) CETV: Increase net of members contributions reflects the increase in CETV funded by the employer. It does not include increases due to inflation, employee contributions, benefits transferred from another scheme and uses market factors for the start and end of the period.

Compensation for loss of office

CSL is required to disclose any amounts paid to Directors on early retirement or for loss of office. In the year ended 31st March 2024, The Company did not make any payments with regard to this area.

Staff Costs

The average monthly number of employees (including directors) during the year/period was 243 FTEs.

Their aggregate remuneration comprised:

	2024 £'000	2023 £'000
Wages and salaries	8,010	-
Social security costs	802	-
Other pension costs	582	-
Other staff costs	74	-
	9,468	**-**

Fair pay disclosures

Pay ratio information for the year ended 31 March 2024 is set out below:

	23/24
	£'000
Highest paid directors' salary	215-220
% change from previous financial year	N/A%
% change employees of company as a whole	N/A%
Salaries and allowances	N/A%
Highest paid directors' remuneration banding (Midpoint)	£217.5
Ratio median (£31,200) *(1)*	6.95
Ratio 25th percentile (£30,435) *(1)*	7.15
Ratio 75th percentile (£40,000) *(1)*	5.45

(FTE Salary was used for the above table in accordance with FReM disclosure requirements)

Consultancy and Temporary staff

A total of £66k was incurred on Consultancy and Temporary staff during the financial year (2023: £nil).

Off-Payroll Appointments

During the year no off-payroll appointment were made (2023: nil). As at 31 March 2024 there are no temporary off-payroll workers engaged earning £245 per day or greater.

Staff composition

Category	Female	Male	Total
Statutory Directors	1	3	4
Senior Management	6	9	15
All other employees	121	147	268
Total 23/24	**128**	**159**	**287**

Average from 25/06/2023 - 31/03/2024

Sickness absence data and employment statistics

	23/24
Staff absence	4.8%
Staff turnover	0.4%

Parliamentary accountability report

Regularity of expenditure

Expenditure predominantly relates to the funding of net operational costs for the Company. These are evenly spread across the financial year, with staff costs, rolling stock leases, and network and station access costs from Network Rail all arising on a broadly consistent profile throughout the year. No irregular payments have been identified.

Contingent liabilities disclosure

There were no material contingent liabilities. There are no remote contingent liabilities as defined by FReM.

Statement of losses and special payments

There were no losses or special payments in the year.

Gifts

The Scottish Public Finance Manual requires gifts to be reported and individual gifts greater than £250k to be disclosed separately. The Company has nothing to report.

Independents Auditors' Report

Report on the audit of the financial statements

Opinion

In our opinion, Caledonian Sleeper Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position and the Statement of changes in equity as at 31 March 2024; the Income statement for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- Obtaining and reviewing the budgets for the periods ending 31 March 2025 and 2026;
- Confirming our understanding of the Railways Act 1993 and the Scottish Ministers obligations to operate the passenger rail service in Scotland; and
- Reviewing the terms of the Grant Agreement in place between Caledonian Sleeper Limited, Scottish Rail Holdings Limited and the Scottish Ministers to confirm that adequate funding is in place for a period of at least 12 months from the date of approval of the 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.

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment, health and safety legislation and the Railways Act 1993, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve the financial results and management bias in significant judgements and accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, including accounting for defined benefit pension schemes and the service agreement term assumption.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the year ended 31 March 2023, forming the corresponding figures of the financial statements for the year ended 31 March 2024, are unaudited.

DocuSigned by:
Kenneth Wilson
22D60A3FA992463...

Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

Income statement

For the year ended 31 March 2024

	Note	31 March 2024 £'000	31 March 2023 £'000
Revenue			
Passenger revenue		23,901	-
Other operating income		889	-
Government grant income		29,893	-
Total Revenue	5	**54,683**	-
Operating costs		(53,008)	-
Operating profit		**1,675**	**-**
Interest payable and similar charges	6	(1,694)	-
Profit/(Loss) before taxation		**(19)**	**-**
Tax on profit or loss	10	-	-
Loss for the financial year		**(19)**	**-**

The above results were derived from continuing operations.

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of comprehensive income has been prepared.

The notes on pages 37 to 61 form an integral part of these financial statements.

Statement of financial position

	Note	31 March 2024 £'000	31 March 2023 £'000
Non-current assets			
Intangible assets	12	396	-
Tangible assets	13	600	-
Right-of-use assets	14	59,897	-
		60,893	**-**
Current assets			
Inventories	15	217	-
Trade and other receivables	16	12,133	-
Cash and cash equivalents		5,402	1
		17,752	**-**
Total assets		**78,645**	**-**
Current liabilities			
Trade and other payables	17	(15,083)	1
Lease liabilities	19	(5,768)	-
		(20,851)	**-**
Net current liabilities		**(3,099)**	**-**
Total assets less current liabilities		**57,794**	**-**
Non-current liabilities			
Loans and borrowings	18	(1,249)	-
Lease liabilities	19	(54,854)	-
		(56,103)	**-**
Provisions for liabilities	20	(1,440)	-
Total liabilities		**(78,394)**	**-**
Net assets		**251**	**-**
Equity			
Called-up share capital*	21	-	-
Capital contribution reserve	21	270	-
Accumulated losses	21	(19)	-
Total equity		**251**	**-**

The notes on pages 37 to 61 form an integral part of these financial statements.

The financial statements of Caledonian Sleeper Limited (registration number: SC328825 (Scotland)) on pages 34 to 61 were approved by the Board of directors and authorised for issue on 10th December 2024.
The Company held one ordinary share of £1 during the current and prior year.

They were signed on its behalf by:

DocuSigned by:
Kathryn Darbandi
26606BE798564AB...
Kathryn Darbandi
Managing Director,
10th December 2024

Statement of changes in equity

	Called-up share capital* £'000	Capital contribution reserve £'000	Accumulated Losses £'000	Total equity £'000
At 1 April 2022	-	-	-	-
Loss for the year	-	-	-	-
Total comprehensive loss	**-**	**-**	**-**	**-**
Capital contribution reserve	-	-	-	-
At 31 March 2023	**-**	**-**	**-**	**-**

	Called-up share capital* £'000	Capital contribution reserve £'000	Accumulated Losses £'000	Total equity £'000
At 1 April 2023	-	-	-	-
Loss for the year	-	-	(19)	(19)
Total comprehensive loss	**-**	**-**	**(19)**	**(19)**
Capital contribution reserve	-	270	-	270
At 31 March 2024	**-**	**270**	**(19)**	**251**

The notes on pages 37 to 61 form an integral part of these financial statements.

*The Company held one ordinary share of £1 during the current and prior year.

1. General information

Caledonian Sleeper Limited (the 'Company') is a private Company limited by share capital incorporated and domiciled in the United Kingdom.

The address of its registered office is:

Basement And Ground Floor Premises

1-5 Union Street, Inverness

Scotland

IV1 1PP

The nature of the Company's operations and principal activities are set out in the Directors' report on page 12.

2. Adoption of new and revised International Financial Reporting Standards

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

In the current year, the Company has applied a number of amendments to International Accounting Standards ('IAS'), IFRS Standards and International Financial Reporting Interpretations Committee ('IFRIC') and Interpretations issued by the International Accounting Standards Board ('IASB') that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 17 Insurance Contracts was issued in May 2017 as replacement for IFRS 4 Insurance Contracts.

Amendments to IAS 1 and IFRS Practice Statement 2. The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The adoption of the above accounting standards has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback. The IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of transaction.

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

3. Material accounting policies

Summary of material accounting policies

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

Basis of preparation

From 1 April 2023, the Company's financial statements are prepared in accordance with an Accounts Direction issued by the Scottish Ministers under Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000. Under the Accounts Direction, the Company has complied with the Financial Reporting Manual 2023-24 (FreM) issued by HM Treasury, and the Companies Act 2006. As noted in Section 4.4.13 of the FreM, the Company is an incorporated arm's length body and as such is required to fully comply with the requirements of the Companies Act 2006 in full with any conflicts between the requirements of the Companies Act and the FreM, the Companies Act taking precedence. In order to fully comply with the Companies Act 2006, the financial statements have been prepared in accordance with the Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101).

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment, and in accordance with the Companies Act 2006.

Summary of disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d)-134(1) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- the requirements of paragraphs 110(b), 113(b), 114-115, 118, 119(b), 121-122, 123(b), 126 and 129 of IFRS 15 Revenue from Contracts with Customers.

Where relevant, equivalent disclosures have been given in the consolidated group accounts of SRH. The Company accounts of SRH are available to the public and may be obtained by writing to SRH, 3rd Floor St Vincent Plaza, 319 St. Vincent Street, Glasgow, G2 5LD.

The principal accounting policies adopted are set out below.

3. Material accounting policies (continued)

Going concern

The Company is wholly owned and overseen by SRH, which is an arm's length Company owned and controlled by the Scottish Government. The Company operates under a Grant Agreement with SRH with a First Expiry Date of 01 April 2030 and references a Final Expiry Date of 25 June 2033. The Grant Agreement includes a Grant Payment mechanism which reflects the cash requirements for the Grant Term.

The Directors have considered the Company's ability to continue to trade for a period of at least 12 months from the date of signing, with reference to a detailed cash flow forecast, budget, and relevant financial information. The Company holds a detailed budget and confirmed funding for the year ending 31 March 2025 and an outer years budget to 31 March 2029.

Given that the Grant Agreement First Expiry Date does not fall within at least 12 months from the date of approval of the financial statements and no significant events have been noted that would cast doubt over the Company's ability to continue operations, the Directors are satisfied that the Company has sufficient resources available to meet is financial obligations as they fall due for a period of at least 12 months from the date of signing.

Accordingly, the financial statements have been prepared on a going concern basis.

Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in 'Pounds Sterling' and rounded to the nearest thousand pounds (£000) unless otherwise indicated.

Revenue and other operating income

Passenger revenue

The Company generates revenue from tickets for rail travel sold under the National Rail Conditions of Travel. The ticket sold forms a binding contract between the passenger and any train operating company ('TOC').

There are two key product types: single daily tickets and Flexipass tickets. The sections below set out the revenue recognition for each ticket type.

Daily tickets

The Company has assessed that there is one performance obligation for the provision of transport on the specified day and for the specified route set out on the ticket. Tickets can be booked 12 months in advance and ticket sales income is recognised as revenue on the day of travel specified on the ticket.

Flexipass tickets

The Company has assessed that there is one performance obligation for the provision of transport on the specified time period and for the specified route set out on the ticket. Flexipass tickets are tickets that can be used for any journey operated by Caledonian Sleeper Limited, one Flexipass is used per room, per direction. Flexipasses are valid for 12 months from the date of purchase. Revenue from Flexipass tickets is recognised at the date of purchase.

3. Material accounting policies (continued)
Revenue and other operating income (continued)

Other revenue

Catering Income

Catering Income related to food and beverage sales on board and in our London Euston guest lounge. Payment is taken digitally as CSL do not accept cash payments and revenue is recognised at point of purchase.

Government grant income

Under the Grant Agreement, Government Grant income is received by way of cash grant payments from SRH, each rail period in advance, to cover the anticipated net expenditures for the upcoming rail period. Any prior period adjustment to reflect the actual cash requirement is offset against the next grant payment. Thirteen payments are made across any given financial year, one for each rail period.

Although the Government Grant income is received via cash payment, it is intended to compensate for the fact that the revenue generated from passenger revenue and other revenue does not cover the operating costs of the Company. It is therefore determined that the Government Grant income should offset the net operating expenditures incurred during the year. Government Grant Income is included within the revenue section of the Income Statement to most closely show the substance of the arrangement; however it is not IFRS 15 revenue from a contract with a customer.

Government Grant income is accrued as at the reporting date to reflect cash payments due from SRH to settle the remaining in-year net expenditures. Amounts due to be repaid to SRH as a result of any prior period adjustment to reflect the differential between the anticipated net cash expenditures and actual cash expenditures for rail period 13 of the financial year are recorded in trade payables.

Tax

Current tax

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

Deferred tax

Deferred tax is recognised on all temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits, or tax losses can be utilised.

3. Material accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Tangible assets

Tangible assets are stated at historic cost less accumulated depreciation.

An individual asset is capitalised when its cost is greater than £10,000 or when individually low value items are grouped together as part of a major refurbishment project.

Depreciation is provided on a straight-line basis to write off the cost less estimated residual value of fixed assets over the shorter of the asset's expected useful economic life, as outlined below, or the Grant Agreement expiry date.

Asset class	Expected useful economic life
Leasehold improvements	Shorter of the lease term or expected life of the underlying assets
Plant and equipment	5 - 10 years
Fixtures and fittings	3 - 10 years
Computer equipment	3 - 10 years

Work-in-progress assets are not depreciated until they are available for use. When the asset is complete and available for use, the cost is transferred to the appropriate asset class and depreciated based on the depreciation policy noted above.

Capital Grants

The Company received funding for all of its activities, which includes capital projects. Capital projects are funded by Transport Scotland and are accounted for under IAS 20

Capital grants are presented in the balance sheet as deferred government grant income and released to operating costs within the income statement over the estimated useful economic life of the related asset.

Leases

The Company as a lessee

The Company assesses whether an identified asset and the related contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with terms of less than 12 months) and low value leases (such as personal computer hardware, office furniture, photocopiers, mobile phones, and coffee machines). For these leases, the Company has elected to apply the exemption included within IFRS 16 and recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

3. Material accounting policies (continued)

Right-of-use assets

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

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

- the initial measurement of the lease liability, discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Company will use the incremental borrowing rate.
- any lease payments made at or before the commencement date, less any lease incentives received.
- an estimate of the costs incurred upon dismantling or removing the asset or returning the underlying asset to the condition required by the lease arrangement.
- other initial direct costs resulting from the introduction of the lease arrangement.

After the commencement date the right-of-use assets are measured using a cost model. The lease agreements are such that a termination option is available to the Company at the point at which the Grant Term expires. Right-of-use assets are therefore depreciated over the shorter of the lease term and the assessed Grant Agreement Term and would be impacted by any extension to the Grant Agreement Term.

The right-of-use assets are presented as a separate line in the Statement of Financial Position.

Where an option to extend the lease is available this will be included within the lease term where there is reasonable certainty that this option will be exercised.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur and are included in the Income Statement as operating costs.

The leases are assessed for lease and non-lease elements (service and maintenance arrangements) which, except for identifiable heavy maintenance, as outlined below, do not meet the scope for IFRS 16 as there is no identifiable asset and are recognised in the Income Statement as operating costs.

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

Lease Liability

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.

3. Material accounting policies (continued)

Lease Liability (continued)

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options.
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities will be recognised as current and non-current liabilities within the statement of financial position. The carrying value is increased to reflect the interest on the lease liability and reduced to reflect lease payments made over the term of the lease.

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 carrying value is also adjusted to reflect any changes to the lease utilising the discount rate at the point of remeasurement.
- 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 payments using an unchanged discount rate (unless the lease payments change is due to a change in floating 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.

Intangible assets

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

Asset class	Expected useful economic life
Brands	7 years – straight line
Software Costs	7 years – straight line
Capitalised Development Costs	7 years – straight line

Impairment of tangible and intangible assets

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

3. Material accounting policies (continued)

Intangible Assets (continued)

Impairment of tangible and intangible assets (continued)

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

If the recoverable amount of an asset is estimated to be less than it's carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement.

Cash and cash equivalents

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

Inventories

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

Defined benefit pension obligation

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

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

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The accounting liabilities are updated at each Balance Sheet date and, typically, every three years are rebalanced to allow for the triennial statutory funding valuation. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other assets on the face of the Balance Sheet. The valuations as at 31 December 2022 have also been completed and signed and are the most recent.

Financial instruments

Financial assets

Financial assets are recognised in the Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument.

3.Material accounting policies (continued)
Financial instruments (continued)
Financial Assets (continued)

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

Trade receivables

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

Financial liabilities

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Caledonian Sleeper Limited Grant Agreement term

The Company operates as a publicly owned train operating company through a Grant Agreement awarded on 25 June 2023 by SRH, a Non-Departmental Public Body of the Scottish Government. The Grant Agreement has a First Expiry Date of 01 April 2030 to a Final Expiry Date of 25 June 2033.

The Directors determined, for the purposes of these financial statements, that the Grant Agreement will remain in effect until the Final Expiry Date.

The judgement affects these financial statements in respect of reporting for leases under IFRS 16 and going concern as follows:

IFRS 16

At the inception of a lease, management assess the lease term. In this assessment management considers the embedded termination options contained within the lease. Termination options are disregarded from the initial measurement if the lessee is reasonably certain not to exercise the option. This judgement over whether termination options will be exercised impacts the lease liabilities and right-of-use assets recognised on the Statement of Financial Position at inception of the lease.

Leases with a lease term ending after 25 June 2033 have been initially measured with the assumption that a termination option will be exercised at the Final Expiry Date.

Going Concern

The expected automatic extension of the CSL Grant Agreement to 25 June 2033 provides CSL with additional certainty and stability over its operations.

Pension and other post-employment benefits

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

5. Revenue

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

	2024 £'000	2023 £'000
Passenger revenue	23,901	-
Other operating income	889	-
Government Grant income	29,893	
	54,683	**-**

All revenue is principally comprised of operations within the United Kingdom. As discussed in the Grant Agreement income accounting policy detailed within note 3, this is not IFRS 15 revenue.

Other revenue comprises of catering income, lounge income, commission and contractual disputes.

6. Interest payable and similar charges

	2024 £'000	2023 £'000
Interest paid to parent	19	-
Interest charge on leases	1,675	-
	1,694	**-**

The interest paid to parent as noted above arose solely as a result of an accounting adjustment when applying the effective interest rate method to group borrowings.

7. Staff costs

The average monthly number of employees (including directors) during the year was 243 FTEs.

Their aggregate remuneration comprised:

	31 March 2024 £'000	31 March 2023 £'000
Wages and salaries	8,010	-
Social security costs	802	-
Other pension costs	582	-
Other staff costs	74	-
	9,468	**-**

8. Directors' remuneration

The directors' remuneration for the year was as follows:

	2024 £'000	2023 £'000
Remuneration	412	-
Company pension contributions to defined benefit schemes	54	-
	466	**-**

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

	2024 £'000	2023 £'000
Remuneration	163	-
Company pension contributions to defined benefit schemes	22	-
	185	**-**

Retirement benefits accrued to the directors for the year ended 31 March 2024 under a defined benefit scheme of £179,468. The pension lump sum accruing to the highest paid Director for the year ended 31 March 2024 was £1,869. The remaining directors of the Company were remunerated through SRH but not through the Company.

The Company is required to disclose any amounts paid to Directors on early retirement or for loss of office. In the year ended 31st March 2024, the Company did not make any payments with regard to this area.

9. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2024 £'000	2023 £'000
Fees payable for the audit of the Company's annual financial statements	150	-
Other assurance services	-	-
	150	**-**

10. Taxation

(a) Tax (credited)/charged for the year in the Income Statement:

	2024 £'000	2023 £'000
Current taxation		
UK corporation tax at 25%	-	-
Other adjustment	-	-
	-	-
Deferred taxation		
Origination and reversal of timing differences	-	-
Total deferred taxation	-	-
Tax (credit)/charge in the Income Statement	-	-

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

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

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Current tax	-	-
Total income tax recognised in other comprehensive income	-	-

The tax on loss before tax for the year/period is the same as the standard rate of corporation tax in the UK of 25% (2023: 19%).

The (credit)/charge for the year can be reconciled to the loss in the Income Statement as follows:

	2024 £'000	2023 £'000
Profit/(Loss) before taxation	**(19)**	**-**
Corporation tax at standard UK rate of 25% (2022: 19%)	(5)	-
Expenses not deductible	313	-
Income not taxable	(319)	-
Other	11	-
Tax (credit)/charge for the year	-	-

11. Loss for the financial year

Loss for the year has been arrived at after charging:

	Year ended 31 March 2024	Year ended 31 March 2023
	£'000	£'000
Diesel fuel costs	1,126	-
Depreciation – Fixtures and Fittings	43	-
Depreciation on right-of-use assets – Rolling Stock	4,889	-
Depreciation on right-of-use assets – Leased Premises	191	-
Impairment of intangible assets (as per note 12)	1,233	-
Locomotive traction provision	8,331	-
Network Rail – Fixed Track Access Charges	4,396	-
Network Rail – Variable Track Access Charges	1,524	-
Other fixed station access charges	1,567	-
Day let charge	491	-
Rolling stock leasing	5,792	-
Rolling stock repairs and maintenance	11,567	-
Traction electricity charge	1,730	-

12. Intangible assets

	Brand Costs	Software Costs	Capitalised Development Costs	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2023	-	-	-	-	-
Additions	-	1,233	-	396	1,629
Impairments	-	(1,233)	-	-	(1,233)
At 31 March 2024	**-**	**-**	**-**	**396**	**396**
Amortisation					
At 1 April 2023	-	-	-	-	-
Charge during the year	-	-	-	-	-
At 31 March 2024	**-**	**-**	**-**	**-**	**-**
Carrying value at:					
31 March 2023	**-**	**-**	**-**	**-**	**-**
31 March 2024	**-**	**-**	**-**	**396**	**396**
Asset Financing:					
Owned	**-**	**-**	**-**	**396**	**396**
Carrying value 31 March 2024	**-**	**-**	**-**	**396**	**396**

Intangible asset cost is financed by SRH through CDEL.

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

CSL impaired the software costs that were taken on from the previous operator of Caledonian Sleeper in full during the year (£1,233k).

13. Tangible assets

	Fixtures and fittings £'000	Work in progress £'000	Total £'000
Cost			
At 1 April 2023	-	-	-
Additions	630	13	643
Transfers	-	-	-
Disposals	-	-	-
At 31 March 2024	**630**	**13**	**643**
Accumulated Depreciation			
At 1 April 2023	-	-	-
Charge during the year	(43)	-	(43)
At 31 March 2024	**(43)**	**-**	**(43)**
Carrying value at:			
31 March 2023	**-**	**-**	**-**
31 March 2024	**587**	**13**	**600**

Asset Financing:			
Owned	**587**	**13**	**600**
Leasehold Improvement	**-**	**-**	**-**
Carrying value 31 March 2024	**587**	**13**	**600**

Property, Plant and Equipment is financed by SRH through CDEL.

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

14. Right-of-use assets

	Rolling stock £'000	Leased Premises £'000	Total £'000
Right-of-use assets			
Cost			
At 1 April 2023	-	-	-
Additions	63,558	1,419	64,977
At 31 March 2024	**63,558**	**1,419**	**64,977**
Accumulated depreciation			
At 1 April 2023	-	-	-
Charged in the year	(4,889)	(191)	(5,080)
At 31 March 2024	**(4,889)**	**(191)**	**(5,080)**
Carrying value at 31 March 2023	-	-	-
Carrying value at 31 March 2024	**58,669**	**1,228**	**59,897**

The Company leases several assets including rolling stock and leased premises.

	2024 £'000	2023 £'000
Amounts recognised in profit and loss account		
Depreciation expense on right-of-use assets	5,080	-
Interest charge on lease liabilities	1,675	-
	6,755	**-**

15. Inventories

	2024 £'000	2023 £'000
Catering Supplies	217	-
	217	**-**

Inventories are stated after provisions for impairment of £nil.

16. Trade and other receivables

	2024 £'000	2023 £'000
Trade debtors	871	-
Other debtors	638	-
VAT	1,797	-
Prepayments	936	-
Accrued income for government grants	7,891	-
	12,133	**-**

For Accrued income for government grants above please see the accounting policy for government grants on page 40 of these financial statements.

17. Trade and other payables

	2024 £'000	2023 £'000
Trade creditors	499	-
Accrued expenses	3,834	-
Other payables	1,111	-
Deferred ticket income	8,643	-
Deferred capital grant income	996	-
	15,083	**-**

For deferred capital grant income above please see the accounting policy for capital grants on page 41 of these financial statements.

18. Loans and borrowings

	2024 £'000	2023 £'000
Capital contribution reserve	270	-
	270	**-**

Capital Contribution Reserve

Capital Contribution of £270,000 is a result of the application of effective interest rate method applied to the Working Capital Loan received from SRH.

18. Loans and borrowings (Continued)

	2024 £'000	2023 £'000
Loan due to Scottish Rail Holdings Limited	1,249	-
	1,249	**-**

	2024 £'000	2023 £'000
Amounts falling due within one year	-	-
Amounts falling due after one year	1,249	-
	1,249	**-**

Per the Grant agreement, effective from 25 June 2023, the Company is entitled to a working capital loan of £1.5m from SRH. This working capital loan is unsecured, does not accrue interest and is repayable to SRH on the Final Expiry Date, or upon termination of the Grant Agreement. This working capital loan has been discounted using the effective interest rate method.

19. Lease Liabilities

	2024 £'000	2023 £'000
Analysed as:		
Current	5,768	-
Non-current	54,854	-
	60,622	**-**

	2024 £'000	2023 £'000
Maturity analysis		
Due up to one year	5,768	-
Due between one and five years	25,051	-
Due after five years	29,803	-
	60,622	**-**

The Company does not face a significant liquidity risk with regard to its lease liabilities. The total cash outflow during the year for leases amounts to £5,861k.

20. Provision for Liabilities

	General £'000	Dilapidations £'000	Total £'000
Balance at 1 April 2023	-	-	-
Provided in the year	512	928	1,440
Provisions utilised in the year	-	-	-
Balance at 31 March 2024	**512**	**928**	**1,440**

Analysis of expected timing of discounted flows	**£'000**	**£'000**	**£'000**
Not later than one year	512	-	512
Later than one year and not later than five years	-	482	482
Later than five years	-	446	446
Balance at 31 March 2024	**512**	**928**	**1,440**

The dilapidation provision includes the estimated cost of the obligation to return rolling stock and leased premises back to their original state at the cessation of the lease. The general provision relates to other Train Operating Companies claim against CSL's non-dedicated ticket income.

21. Equity

Allotted, called up, and fully paid shares

	2024 No.	2024 £	2023 No.	2023 £
Ordinary shares of £1 each	1	1	1	1

The Company has one ordinary class of share which carries no right to fixed income. The shareholders of the Company during the financial year is Scottish Rail Holdings Limited (SC548826).

The Company's other reserves are as follows:

Accumulated Losses
The accumulated losses account represents cumulative profits or losses, net of dividends paid, and other adjustments.

Capital contribution reserve
Capital contributions of £270k are as a result of the application of the effective interest rate method applied to the Working Capital Loan (note 18) received from SRH.

22. Related party undertakings

The Company has taken advantage of the exemption not to disclose any transactions between wholly owned Group undertakings conferred by IAS 24 on the grounds that the Company's results are included in full in the consolidated financial statements of the parent undertaking, which are publicly available.

23. Retirement benefits

Pension obligations – Railway Pension Scheme

The Company is a member of a defined benefit pension scheme, which is funded. All eligible employees are offered membership of the Railway Pension Scheme ('RPS'). The defined benefit scheme is administered by a separate fund that is legally separated from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders of the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund. The last full actuarial valuation of the scheme was carried out by independent actuaries as at 31 December 2022.

Contributions are paid to the scheme at rates recommended by the Scheme Actuary to the RPS and the assets of the scheme are held in a separately administered trust. The scheme's assets are held and managed independently of the Company's finances by independent investment managers appointed by the trustees of the scheme. Contributions are paid in line with the latest agreed schedule of contributions in 2022. For the majority of active members, the current contribution rate is 9.32% for employees and 14.28% for the employer.

The actuarial assumptions used in determining the 2022 full actuarial valuation were that the rate of earnings increase would be 3.4% per annum and the rate of inflation would be 3.4%/2.4% (RPI/CPI) per annum. The valuation was made using the projected unit method.

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

Any deficit reflected in the Statement of Financial Position reflects only that portion of the deficit that is expected to be funded over the Grant Agreement term, net of deferred tax. An 'operator adjustment' is made to the deficit on this basis. The operator adjustment is the projected deficit at the end of the Grant Agreement term which the Company will not be required to fund, discounted back to present value.

The valuations used have been based on the results of the 31 December 2022 statutory funding valuation and have been updated by the Company's Actuary in order to assess the liabilities of the scheme as at the subsequent statement of financial position dates. Scheme assets are stated at their market values at the respective balance sheet dates. The present value of the defined benefit obligation (DBO), the related current service cost, and past service cost were measured using the projected unit method.
Money purchase assets held by the section are not recognised in the financial statements since the value of these assets is exactly matched by the value of the liabilities.

23. Retirement benefits (continued)

The Company is exposed to a number of risks relating to the section, including assumptions not being borne out in practice. It should be noted that due to the nature of the operator adjustment, the Company is effectively shielded from these risks relating to the section in the short-term. Some of the most significant risks are as follows, although the list is not exhaustive:

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

Net defined benefit position:

	2024 £'000	2023 £'000
Cash and cash equivalent	407	-
Equity instruments	10,083	-
Debt instruments	923	-
Real estate	1,168	-
Other	1,403	-
Total fair value of scheme assets	**13,984**	**-**
Operator adjustment	1,058	-
Present Value of Scheme Liabilities	(15,748)	-
Members' share of deficit	**(706)**	**-**
Deficit in the scheme	-	-
Related deferred tax asset	-	-
Net pension liability	-	-

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

Analysis of the amount charged to operating profit:

	2024 £'000	2023 £'000
Current service cost	605	-
Administrative expenses	35	-
Interest expense on defined benefit obligation	319	-
Interest income on pension scheme assets	(287)	-
Interest on operator adjustment	(53)	-
Operator adjustment	(129)	-
Total amount charged to P&L	**490**	**-**

23. Retirement benefits (continued)

	2024 £'000	2023 £'000
Fair value of scheme assets as at 30 June 2023	**12,244**	-
Return on plan assets	715	-
Participant contributions	318	-
Employer contributions	490	-
Interest income - employer	287	-
Interest income - employee	191	-
Benefits paid	(202)	-
Administration expenses	(59)	-
Fair value of scheme assets as at 31 March 2024	**13,984**	**-**

Changes in the fair value of scheme assets are analysed as follows:

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

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

	2024 £'000	2023 £'000
Defined benefit obligation as at 30 June 2023	**13,983**	**-**
Current service cost - employer	605	-
Current service cost - employee	403	-
Benefits paid	(202)	-
Interest expense - employer	319	-
Interest expense - employee	213	-
Effect of changes in financial assumptions	337	-
Effect of experience adjustments	90	-
Defined benefit obligation as at 31 March 2024	**15,748**	**-**

The following assumptions have been used:

	2024	2023
Rate of increase in salaries	3.2%	-
Rate of increase in pensions	2.7%	-
Discount rate	4.9%	-
Price Inflation Rate (RPI)	3.0%	-
Price Inflation Rate (CPI)	2.7%	-

23. Retirement benefits (continued)

	2024	2023
Post-retirement mortality		
Retiring at Statement of Financial Position date:		
Men	19.1	19.0
Women	22.0	22.0
Retiring in 25 years:		
Men	20.8	20.8
Women	24.0	23.9

	2024 £'000	2023 £'000
Return on plan assets	715	-
Loss from change in members' share	(121)	-
Change in assumptions	(337)	-
Effect of experience adjustment	(90)	-
Loss on franchise adjustments	(38)	-
Total re-measurement recognised in the Income Statement	129	-
Operator adjustments	(129)	-
Net total re-measurements	-	-

Defined Benefit Obligation	
1. Defined Benefit Obligation by Participation Status	**£**
a. Actives	9,858
b. Vested Deferred	2,903
c. Retirees	2,987
d. Total	**15,748**

Assumption	Change in Assumption	Impact on scheme liabilities
Discount rate	± 50 basis points	Increase/decrease by 9.6%/10.3%
Rate of salary increases	± 25 basis points	Increase/decrease by 1.7%/1.7%
Inflation assumption	± 25 basis points	Increase/decrease by 4.7%/4.9%
Post-retirement mortality	± 1 year rating	Increase by 2.3%

To estimate the defined benefit obligation, assumptions are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities, and the results based on that single scenario are included in the valuation of the defined benefit obligation. The future is uncertain, and the Scheme's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward-looking projection over a very long period of time, no one projection is uniquely 'correct' and many alternative projections of the future could also be regarded as reasonable. A 'sensitivity analysis' shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilised. An

23. Retirement benefits (continued)

indication of the sensitivity of the results to changes in the most material assumptions (i.e. discount rate, salary increases, price inflation, and post-retirement mortality) is shown above, albeit these are not intended to represent the upper or lower bounds.

The defined benefit obligation is estimated using the Projected Unit Credit method.

The expected future contributions are £634k for the year to 31 March 2025.

Virgin Media pension ruling

In June 2023, the High Court judged that amendments made to the Virgin Media pension scheme were invalid because the scheme's actuary did not provide the associated Section 37 certificate. The High Court's decision has wide-ranging implications, affecting other schemes that were contracted out on a salary-related basis and made amendments between April 1997 and April 2016. As such, the ruling could have implications for the Company. Following the Court of Appeal upholding the 2023 High Court ruling on 25 July 2024, a process of investigating any potential impact for the pension scheme is required. As a detailed investigation is not yet been fully performed, the Company considers that the amount of any potential impact on the defined benefit obligation cannot be confirmed and/or measured with sufficient reliability at 31st March 2024 year end. We will review again in 2025 based on the findings of the detailed investigation.

24. Ultimate parent and controlling undertaking

The Company's immediate controlling party is SRH which is registered in Scotland no. SC548826. Copies of its financial statements are available from Scottish Rail Holdings Limited, 3rd Floor St Vincent Plaza, 319 St. Vincent Street, Glasgow, G2 5LD. The shareholder of Scottish Rail Holdings Limited, and ultimate parent of the Company, is The Scottish Ministers, the address of whom is The Scottish Government, St. Andrew's House, Regent Road, Edinburgh, EH1 3DG.

The largest and smallest company in which the results of the Company are consolidated is that headed by Scottish Rail Holdings Limited. The consolidated financial statements of this Company are available to the public and may be obtained by writing to Scottish Rail Holdings Limited, 3rd Floor St Vincent Plaza, 319 St. Vincent Street, Glasgow, G2 5LD.

25. Events after the reporting date

There were no significant events after the reporting date.

Appendix 1 – Direction by the Scottish Ministers

Scottish Government
Riaghaltas na h-Alba

Caledonian Sleeper Limited

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 herby give the following direction.

2. The statement of accounts for the financial year ended 31 March 2024 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared, and with the Companies Act 2006.

3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by:
40E143FE40E1413...

Bill Reeve

Director of Rail

Transport Scotland

On behalf of the Scottish Ministers

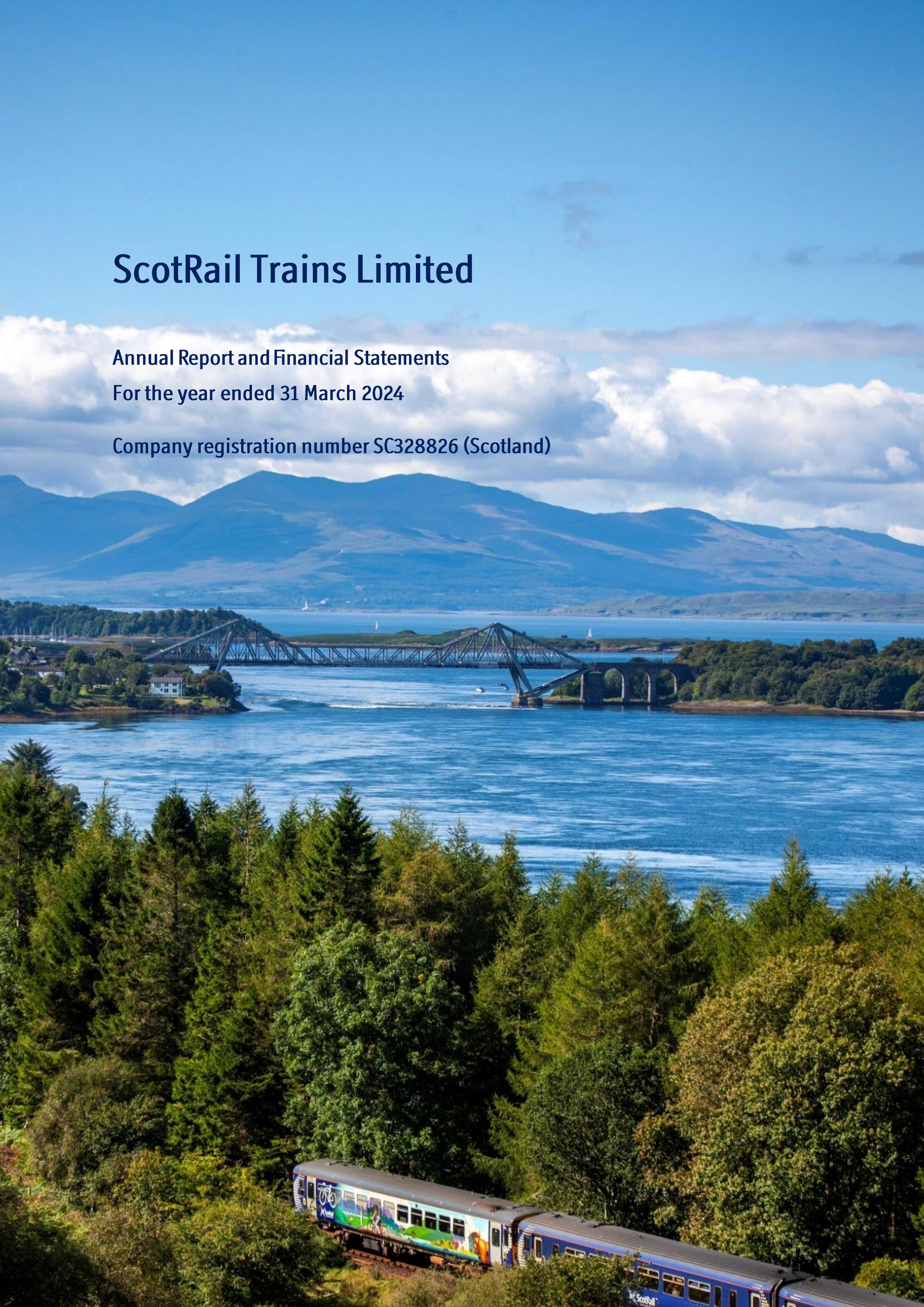
12 November 2024

ScotRail Trains Limited

Annual Report and Financial Statements

For the year ended 31 March 2024

Company registration number SC328826 (Scotland)



Strategic report

Performance report

Company information

Chair and Accountable Officer	Hannah Ross
Managing Director	Joanne Maguire
Executive Directors	Julie Dale David Lister Derek Marchant
Non-Executive Directors	Carolyn Griffiths John MacQuarrie Graeme Cook Campbell Davidson
Company Secretary and General Counsel	Brodies Secretarial Services Ltd
Chair of Audit and Risk Committee	Brian Baverstock
Registered office	Atrium Court 50 Waterloo Street Glasgow Scotland G2 6HQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 141 Bothwell Street Glasgow Scotland G2 7EQ

The directors above are those in place on the date of signing the financial statements on 12 December 2024.

A detailed table of all the changes in directors throughout the period and up to the date of signature of the financial statements is shown within the Directors' report.

Corporate structure

Scottish Rail Holdings Limited is the immediate parent Company and single shareholder. In line with governance rules, financial and strategic information is shared with Scottish Rail Holdings Limited to ensure its leadership team is fully aware of the Company's performance and future plans.

Company history

ScotRail Trains Limited was established under the Companies Act 2006 as a Company limited by shares wholly owned by the Scottish Ministers acting through Transport Scotland. On 1 April 2022, ScotRail services transferred into ScotRail Trains Limited (the 'Company') under public control and ownership. The Company is owned and overseen by Scottish Rail Holdings Limited, which is an arm's length company owned and controlled by the Scottish Government.

The Company operates trains and manages stations primarily in Scotland. The Company's head office is in Glasgow and there is also a network of stations and depots primarily in Scotland. The Company work alongside key partners, including Network Rail, which maintain and control the railway infrastructure, and rolling stock companies which own the trains that the Company lease.

Scottish Rail Holdings Limited acts as the owning group of the Company and provides separation between Transport Scotland as strategic policymakers and the direct management of train service delivery for the Company. Scottish Rail Holdings Limited was set up with the purpose of overseeing the governance of rail passenger services provided by train operating companies in Scotland in accordance with the Scottish Ministers' duties under Section 30 of the Railways Act 1993.

Performance overview

The purpose of this section is to provide an overview of the Company, its purpose, and activities. The section also includes information on key risks and issues for the organisation and a high-level summary of performance in 2023/24.

Chair's overview

As ScotRail Chair, I am pleased to provide an update on the Company's progress after two years of public ownership. Our track record under public ownership is one of successful delivery – higher passenger numbers, growing revenue, and strong customer satisfaction.

Our highly skilled board of directors and management team, working alongside key partners in Transport Scotland and Network Rail Scotland, have been focussed on delivering a safe, reliable, and green train service that customers expect and deserve. As this report outlines in more detail, we did that successfully in 2023/24 across a number of measures.

None of this would have been possible without the dedication and commitment of the thousands of colleagues across Scotland's Railway, who work every day to deliver rail services which connect people and places across Scotland, making it a great place to live, work, and visit. With almost 5,500 employees, the Company is very lucky to have so many experienced and hard-working staff delivering every day for customers.

2023/24 was a successful year for the railway in the face of significant challenges – including extreme weather and changing travel patterns. I am confident that 2024/25 will deliver even more for customers, staff, and the taxpayer.

Hannah Ross
ScotRail Chair and Scottish Rail Holdings Limited Chief Executive

Managing Director's overview

If the first year of public ownership was about delivering a successful transition and dealing with the legacy of COVID-19, year two was about driving the business forward and building for the future.

In 2023/24, ScotRail achieved the following:

- Year-on-year passenger growth of 28 per cent (2023: 36 per cent).
- Year-on-year revenue growth of 23 per cent (2023: 43 per cent).
- Nine out of ten services met their punctuality target (2023: nine out of ten).
- Ticketless travel reduced by 33 per cent from the previous year.
- Improved fleet reliability.

Key to delivering this success are our staff. ScotRail benefits from a dedicated and highly-skilled workforce that delivers for our customers every single day – they are a credit to the railway. A significant recruitment drive to fill vacancies saw hundreds of people join the business, which improved our ability to support customers, drive revenue, and deliver a more reliable service for passengers.

Constructive trade union relations are one reason for our success in 2023/24, with ScotRail one of the few railway operators to have no customer-impacting industrial action during the financial year. We work very closely with trade union colleagues and meet regularly to discuss a range of issues, including pay, safety and security, revenue, recruitment, and more. While we may not always agree, a cornerstone of our positive relationship is that we will always continue to meet with trade union colleagues, even if we are in dispute. Our trade union representatives are keen to see a flourishing and successful publicly owned ScotRail and work with us to deliver that.

ScotRail's overall strategy aligns with the Scottish Government's National Transport Strategy, with a vision of delivering a safe, sustainable, inclusive, and accessible railway. We do this by focusing on the following four priorities:

1. Provide accessibility for all.
2. Deliver an environmentally and socially sustainable railway.
3. Reduce the reliance on government subsidy by developing the business.
4. Provide a safe environment for passengers and staff, which furthers health and wellbeing.

While we are pleased with what we delivered in 2023/24, we have set very stretching targets for 2024/25. I am confident that the foundations built in 2023/24 will set us up for future success.

Joanne Maguire

ScotRail Managing Director

Business model

The Company operates under a Grant Agreement with the Scottish Government and Scottish Rail Holdings Limited. The contract commenced on 1 April 2022. Prior to this date, the Company did not trade. The Grant Agreement has a final expiry date of 31 March 2032. The Company operates trains and manages stations, working with key partners, including Network Rail, which maintains and controls the railway infrastructure, and rolling stock companies which own the trains that are leased by the Company.

Achievements of the Company in the year

In the financial year 2023/24, the Company continued to build on the recovery it has made from the impact of the COVID-19 pandemic. Customer numbers and revenue increased, nine of out ten services met performance targets, and around 89 per cent of passengers were satisfied with ScotRail services. That is a strong base from which to build.

Key financial and commercial achievements for 2023/24 include:

- Passenger growth of 28 per cent year-on-year (2023: 36 per cent).
- Revenue growth of 23 per cent year-on-year (2023: 43 per cent).
- A reduction in ticketless travel of 33 per cent.
- Nine million more tickets scanned by frontline colleagues compared with 2022/23.
- The delivery of ScotRail's first year-round brand and marketing campaign for more than five years.
- The launch of a 'Station Spaces' brand through the bringing in-house of commercial property and advertising.

Much of the above was made possible because of a major recruitment drive, which saw the 31 March 2024 closing headcount position increase by an additional 388 heads, when compared to the previous year closing headcount. This focused on roles such as gateline, ticket examiners, engineers, conductors, drivers, and others that improved ScotRail's ability to deliver a service for passengers and collect revenue, which in turn provides better value for taxpayers.

The Company was recognised as a 'Top Employer' in the UK through the Top Employers Institute programme. Being certified as a 'Top Employer' showcases an organisation's dedication to a better workplace and exhibits this through excellent HR policies and people practices. This represents the fifth year in a row in which ScotRail has been recognised with this award.

The reliability and punctuality of train services delivered by the Company improved year on year. The moving annual average of trains arriving within five minutes of their planned time (the public performance measure) was 89.9 per cent in March 2024, an increase of 0.5 percentage points on the previous year. The number of trains which operated with fewer than the planned number of carriages reduced by 15 per cent year on year. Cancellations reduced by 8 per cent. The Company continues to work on achieving further improvements to these results.

The biggest factor in reducing cancellations and trains operating with fewer than the planned number of carriages has been the improvement in reliability and availability of the train fleet. One of the Company's electric train fleets won an industry award as the most reliable train in its class for 2023/24.

Improvements delivered in the year included increases to the Cathcart Circle services, additional limited-stop services on the route between Glasgow and Edinburgh via Shotts and increased Sunday services on the Gourock to Glasgow route. Following electrification of the route between Glasgow Central and Barrhead, modern electric trains were introduced providing customers with sustainable, eco-friendly journeys and a more comfortable and reliable service.

Principal risks and uncertainties

The Company maintains a register of key risks. The risks which could have an impact on the Company's strategic goals and objectives are overseen by the Executive directors and the Audit and Risk Committee (ARC). Principal risks identified and measures to mitigate are as noted below:

Fleet performance

65 per cent of the Company's existing train fleet will reach the end of its operational life in the period to 2040, therefore, a fleet strategy has been developed, in partnership with key stakeholders, to establish an integrated approach to this renewal.

Outline business cases are now being finalised and plans for future fleet procurement exercises are in development. These will be aligned with wider rail decarbonisation plans. The first procurement planned will replace the high-speed trains (HST) on intercity routes. This will be followed by a procurement to replace the oldest suburban electric and diesel fleets.

Despite having one of the oldest train fleets in the UK, the Company made good progress in improving the reliability and availability of the fleet during the year. More than 40 new engineers were recruited and trained and business cases prepared and funding secured for a major capital programme of life extension and performance improvement modifications which will take place between 2024 and 2027. A notable success was the improvement in the number of intercity trains available for service each day during autumn 2023 – 14 compared to 10 the previous year.

Energy costs volatility

The Company is exposed to changes in energy prices impacting the cost of traction for the fleet, both in terms of Electrical Current for Traction (EC4T) and Diesel. EC4T risks are mitigated via membership of the trade body Rail Delivery Group EC4T Scheme Council which continually reviews energy purchases, including forward contracts. The Company also joined the Crown Commercial Services Framework for energy supply during the year.

Incident response

The Company engages fully with the National Railways Security Programme (NRSP) and with other associated bodies to maintain a high level of alert against exposure to major disruption. This is supplemented by a Business Continuity policy and developed emergency plans.

Costs pressure leading to pressure on approved operating subsidy

To manage this risk, the Company has robust monitoring processes in place including regular Board reviews of costs versus budget and monthly monitoring meetings with the holding company and attended by the principal funder.

Skills capacity

The Company faces the challenge of maintaining service capacity in the face of increased provision of services post-pandemic and natural attrition of staff who decide to retire from the business. The Company has an active recruitment programme in place and maintains active dialogue with its recognised trade unions, supplemented by an approved Workforce Planning strategy. Further details of this are contained within the Performance Report section.

Failure or disruption arising from a key supplier

Failure or disruption arising from a key supplier, particularly regarding the availability of rolling stock, is a critical risk for the Company. To mitigate this risk, the Company's Procurement and Contracts team works to diversify suppliers through robust procurement programmes and to establish strong relationships with key suppliers to ensure timely delivery and support.

Principal risks and uncertainties (continued)

Climate change and the impact on rail infrastructure and operations

Increasingly severe weather events such as floods, storms, and heatwaves can damage tracks, bridges, and signalling systems, leading to service disruption. As part of the Scotland's Railway Alliance, the Company works in partnership with Network Rail Scotland to ensure the challenges associated with infrastructure are well understood and manged through industry strategic plans. Full details on the Company's actions in the area of Climate Control are as set out in the Streamlined energy and carbon reporting (SECR) section.

Cyber security

Cyber security threats are constantly evolving and, as such, continue to represent a serious risk for the Company. The risk of individuals attempting to exploit human or technical security vulnerabilities to gain access to passwords, company, and/or personal data, disrupt company operations, or misappropriate monies are key areas that the Company aims to address. To mitigate this risk, the Company has a dedicated in-house information security team in place. This qualified professional team collaborates with all areas of the business to ensure that best practice is followed in respect of information security and cyber security threats and that appropriate controls are in operation to address this key business risk area.

The annual report highlights several key risks above. However, through cost control, workforce development and resilience planning, the Company mitigates these risks and ensures financial stability and operational continuity.

Assessment of effectiveness of the system of risk management and internal control

The Company's Accountable Officer has overall responsibility for reviewing the effectiveness of the system of risk management and internal control. The review is informed by the work and views of the Audit and Risk Committee, documented assurances of executive managers within the organisation who have responsibility for the development and maintenance of internal control framework, comments made by the external auditors in their management letters and other reports, and outcome and feedback of external auditors during their annual statutory audit.

Arising from this process, senior management are content with the effectiveness of such procedures that the Company maintain appropriate standards of governance and effective risk management, and the review has not highlighted any significant internal control weaknesses.

Future developments

The Company made several improvements during the year to grow revenue, promote the railway, and invest in the future. This included the introduction of new timetables in May 2023 and December 2023.

The Company held public consultations during autumn 2023 for major timetable improvements covering Ayrshire and Inverclyde, and Edinburgh to Fife and Tay Cities. Almost 2,000 responses were received from customers and stakeholders and the feedback enabled the proposed timetables to be refined to better meet the needs of local communities before being introduced in June 2024.

Work continued on the opening of a new Levenmouth branch line, including two new stations at Leven and Cameron Bridge. This branch was successfully opened by the First Minister in June 2024, providing more opportunities for people to travel by train. Elsewhere on the network, the Company looks forward to working with partners, including East Renfrewshire Council and Network Rail, on the opening of the new Balgray Station on the Glasgow to Neilston Line. Preparatory groundwork was commissioned by Network Rail during the year with the project plan envisaging a completion date of 2026, subject to City Deal and Network Rail business case discussions during 2024.

As noted in the SECR report, the latest phase of the Scottish Government's rail decarbonisation programme is now complete, enabling the Company to operate local services between Glasgow and Barrhead with electric trains. The Company is supporting both Transport Scotland and Network Rail deliver improvements to the Glasgow to East Kilbride route, which will deliver the next phase of the rail decarbonisation programme in 2025/26.

The Scottish Government announced in early September 2024 that the Company's intercity trains will be replaced. Plans for future fleet procurement exercises are in development. These will be aligned with fleet renewal requirements and with wider rail decarbonisation plans. The next procurement planned will see replacement of our oldest suburban electric and diesel fleets.

Going concern

The Company is wholly owned and overseen by Scottish Rail Holdings Limited, which is an arm's length company owned and controlled by the Scottish Government. The Company operates under a Grant Agreement with Scottish Rail Holdings Limited under an initial five-year term to the First Expiry Date of 31 March 2027. There is an automatic extension of five years which extends the term to a Final Expiry Date of 31 March 2032. The Grant Agreement includes a Grant Payment mechanism which reflects the cash requirements for the Grant Term.

The Directors have considered the Company's ability to continue to trade for a period of at least 12 months from date of signing, with reference to a detailed cash flow forecast, budget, and relevant financial information. The Company holds a detailed budget, and has confirmed funding, for the year ending 31 March 2025 and an outer years budget to 31 March 2030.

Given that the Grant Agreement First Expiry Date does not fall within at least 12 months from the date of approval of the financial statements and no significant events have been noted that would cast doubt over the Company's ability to continue operations, the Directors are satisfied that the Company has sufficient resources available to meet its financials obligations as they fall due for a period of at least 12 months from the date of signing.

Accordingly, the financial statements have been prepared on a going concern basis.

Section 172(1) statement

This can be found within the Directors' report.

Performance Analysis

This section of the report provides a detailed review of the Company's activity and performance against our objectives.

Operational performance

Passenger revenue increased from £265.5m to £327.5m during the year. Passenger journeys over the same period increased from 63.6 million to 81.1 million passenger journeys.

The Company uses a number of measures to track its operational performance alongside financial performance, a selection of which are outlined below.

Operational performance is measured through the industry-recognised public performance measure (PPM) on a rolling 12 month moving annual average (MAA) basis. PPM is achieved if a service reaches its final destination within four minutes and 59 seconds of its advertised time, having called at all timetabled stops. For the year ended 31 March 2024, the Company's PPM MAA was 89.9 per cent (2023: 89.4 per cent) against a trajectory measure of 90.3 per cent, towards Transport Scotland target of 92.5 per cent. Severe weather events in the last quarter of the financial year were a major contributing factor to the actual results being less than target.

The Company actively tracks customer satisfaction scores. Customer satisfaction of Train Operating Companies is independently measured by Transport Focus. During the year, the Company averaged 89 per cent. Although this was lower by one percentage point than the results recorded in the previous year, it compares favourably to the overall average for UK rail of 81 per cent and with the figure achieved pre-pandemic by the previous operator of the Company's services of 85 per cent. Customer complaints were 22 per 100,000 journeys, an improvement on last year's figures of 24 per 100,000 journeys.

Financial performance

The Company receives an annual budgetary allocation from Scottish Rail Holdings Limited, split by spending source that aligns with government budgetary allocation. The below table sets out the Company's full year outturn result by spending source and compares to the final budget allocation agreed.

Outturn analysis

	Actual 2023-2024 £'000	Original Budget allocation 2023-2024 £'000	Final Budget allocation 2023-2024 £'000	Variance to Final Budget allocation 2023-2024 £'000
Resource (RDEL)	400,960	423,000	414,293	13,333
Capital (CDEL)	375,233	370,500	377,007	1,774
Operating Sub total	**776,193**	**793,500**	**791,300**	**15,107**
Non-cash (RfDEL)	5,152	2,500	2,500	(2,652)
AME Costs (AME)	2,070	2,001	3,856	1,786
Capital AME (CAME)	1,016	0	0	(1,016)
Lease Accounting	6,871	0	6,871	0
Total	**791,302**	**798,001**	**804,527**	**13,225**

The outturn analysis is measured under the application of accounting standards for government (FReM). Operating outturn includes capital spend which has been capitalised to the balance sheet, materially driving the variance between the above table and the government grant income amount noted per the Income statement.

Outturn analysis (continued)

Overall, the company kept within the agreed original funding allocation, requiring lower funding than budgeted despite a challenging growing cost environment. In terms of original budget allocation, particular highlights of the year were (note, variances in the outturn analysis table are against final budget allocation):

- Resource Departmental Expenditure Limit (RDEL) spend, being net expenditure excluding capital and depreciation, was £22.0m lower than the original funding allocation. This was mainly driven by strong passenger revenue growth.
- Capital Departmental Expenditure Limit (CDEL) spend exceeded original budgetary target by £4.7m driven mainly by heavy maintenance works capitalised.
- Non-cash Ring-Fenced Departmental Expenditure Limit (RfDEL) spend related to depreciation of capitalised assets. Given the increase in heavy maintenance capitalisation in the year compared to budget this drove a higher depreciation impact, increasing this spending source requirement.
- Annually Managed Expenditure (AME), which related to other accounting adjustments, materially met the original funding allocation.
- Capital Annually Managed Expenditure (CAME), which related to a dilapidation provision for IFRS 16 Right-of-use assets, was not considered as part of the original budget allocation, therefore allocation was nil for this budget segment.
- Lease Accounting spend in relation to IFRS 16 Right-of-use assets was also not considered as part of the original budget allocation, therefore allocation was nil for this budget segment.

SRT's final budget allocation reflects changes to Scottish Rail Holdings Limited final group budget allocation, which included an adjustment following the mobilisation of Caledonian Sleeper Limited, a subsidiary of Scottish Rail Holdings Limited, on 25 June 2023.

Statement of financial position

As at 31 March 2024 the Company had total assets of £624.4m (2023: £683.2m).

Cash balance

The Company had a cash balance of £58.2m as at 31 March 2024 (2023: £67.7m). This was mainly made up of £7.5m working capital loan, held with Scottish Rail Holdings Limited, and the operating grant award paid by Scottish Rail Holdings Limited in advance of rail period one of the next financial year.

More detailed financial analysis can be found in the notes to the financial statements on pages 42 to 69.

Safety and performance

Safety is our top priority and the Company's guiding principle is "everyone home safe, every day".

Safety performance is proactively managed at all levels of the Company engaging the staff and trade unions' representatives. The company also works in collaboration with other key partners such as British Transport Police and Network Rail to improve the safety of Scotland's Railway.

The effectiveness of the Company's management of safety is overseen by the Board and its Safety, Health & Environmental Committee.

The Company monitors a wide range of safety key performance indicators including staff accidents, passenger accidents and train operational incidents.

One key area of focus in the year was combatting anti-social behaviour to reduce the impact felt by frontline colleagues. Staff assaults during the year were 129 (2023: 84). One of the key initiatives that was delivered in the year was the expansion and upgrade of body worn cameras, making 1,000 cameras accessible to all frontline colleagues. The cameras provide an enhanced level of safety and security on train and in stations for staff and customers.

The company operates one of the largest CCTV networks in the UK with more than 8,000 cameras. A £2m investment made in partnership with Network Rail has just completed the installation of new cameras with intelligent video analytics at 60 stations to help identify vulnerable people and combat anti-social behaviour.

Another focus area in the year for the Company was staff lost time injuries, which increased from 33 in the previous year to 62 in 2023/24. The company launched a new internal awareness campaign called Mindful vs Mind Full. This is aimed at raising awareness of the issues that can cause distractions to employees and reduce situational awareness, which are the largest causations of the Company's lost time injuries.

Following the tragic loss of life at Carmont in August 2020 the company continued to work with Network Rail and the rest of industry to implement the recommendations made by the Rail Accident Investigation Branch (RAIB) in its report into the incident from March 2022. The company is a member of the multi stakeholder Scottish Carmont Vehicle Recommendation Steering Group which was established to directly inform and review the response in Scotland to the specific, train based, recommendations identified by the RAIB in their report. It enables the representatives of the staff who work on and maintain the HST fleet to engage with the operators and owners of the trains on those recommendations. The company will be offering its full support in the Fatal Accident Inquiry which is expected to commence in 2025.

Customers

The Company's customers come from the length and breadth of Scotland and from further afield through the millions of tourists who visit. Analysis carried out during the year has shown that 95 per cent of people in Scotland are aware of ScotRail, with 11 per cent travelling at least once a week. The focus of the Company over the past year was to build on the customer experience for those regular passengers whilst encouraging the less frequent passengers to use the service more through targeted marketing and communications initiatives.

Anti-corruption and bribery

The Company has a zero-tolerance approach towards bribery and corruption. This extends to all our employees, Board members, and third parties, irrespective of financial values involved.

The Company policy relating to corruption and bribery is set out in the Company code of conduct as well as in the Company anti-bribery and corruption policy. All colleagues and relevant third parties acting on behalf of the Company are made aware of the anti-bribery and corruption policy.

Employee engagement

People are vital to the success of the Company. By investing in the skills, training, and engagement of its staff, the Company seeks to have a motivated, productive, and proud workforce.

The Company continues to create a more diverse and inclusive workforce through the delivery of inclusion and well-being roadshows to staff across the country. The long-term plan is to make the diversity of the Company reflective of the communities it serves.

In-person safety briefings were continued for frontline colleagues. These included updated information on key safety issues and an opportunity for frontline staff to meet with, and question, members of the senior leadership team.

In May 2023, the Company issued a Your Voice Pulse survey which 47 per cent of staff completed. The vital feedback gathered led to plans to make improvements in following areas:

1. Fair and transparent recruitment.
2. Tackling anti-social behaviour.
3. Communicating the strategic direction of the Company.

The Company has worked hard to implement continuous improvement in its services for employees including:

- Inclusive recruitment training;
- Roll-out of 1,000 new body worn cameras;
- Double staffing - late-night trains and additional revenue protection officers hired;
- Increased communications to the business relating to Company strategy, health & wellbeing;
- Senior leadership events to discuss Company strategy.

Through January and February 2024, the Company carried out a further survey to gauge employees' observations on the progress made in the key areas of improvement identified in the initial Your Voice survey. Results were very positive and noted that clear progress is being made across the vital areas noted above.

Social matters and human rights

The Company is committed to operating to the highest social and ethical standards, and a critical part of that is our continued pledge to be a Living Wage employer. The Company understands the value of paying the Living Wage to its staff and the importance for the Company to set a positive example as one of the country's leading employers. Additionally, within the Company's supply chain all major contracts encourage companies to pay their employees the Living Wage.

The Company adopts a zero-tolerance approach to human rights violations including human trafficking, slavery, and forced labour. The Company is committed to taking all reasonably practicable steps to ensure that human trafficking, slavery, and forced labour are not present in our business, processes, and supply chains.

The Company expects the same standards from all those it works with including consultants, contractors, suppliers, and third-party representatives working on behalf of the Company. The Company is committed to working with its suppliers to ensure that human trafficking, slavery, and forced labour risks are identified and managed proactively.

Disability and employment

The Company offers a guaranteed interview to any disabled applicant who meets the minimum criteria for a job vacancy and offer reasonable adjustments to all applicants. Where possible, the Company will support medical redeployment applications if a colleague becomes disabled during their employment and can no longer carry out their duties.

The Company has a Disability and Carers employee network group which supports the business in being more inclusive for disabled colleagues. Training and awareness sessions focusing on disabilities are offered to colleagues and managers throughout the year. Frequent training sessions to support career development are on offer for all colleagues.

Our stakeholders and suppliers

Developing strong and lasting relationships with customers, suppliers, and the wider community is a priority for the Company. The views of our stakeholders and feedback from them is vital to ensuring that the Company delivers the best possible services for customers, which enables the delivery of key business objectives.

As noted above, key stakeholders include Scottish Rail Holdings Limited and Transport Scotland, as well as Network Rail through the Scotland's Railway Alliance. Continual and effective communication is maintained with these stakeholders both through formal meetings and on an informal basis through a number of multi-disciplinary committees and panels. A project commenced during the year to review and update the Alliancing Agreement with Network Rail Scotland. This has been completed during 2024/25.

The Company continues to build relationships with other key stakeholders through communication and engagement. These include Community Rail Partnerships, Transport Focus, local authorities, train/bus/ferry/airport operators, the Mobility Access Committee Scotland, Disability Equality Scotland, Visit Scotland, business organisations, Members of Parliament, Members of the Scottish Parliament, and Councillors. The Company integrates the requirements of its stakeholders into its proposals for the future of Scotland's Railway. The Company's stakeholder favourability score, measured through an independent survey, was ahead of target thanks to a focused and strategic approach to stakeholder engagement with 76 per cent of stakeholders reporting being 'favourable' towards Scotland's Railway, against a 73 per cent target.

The Scotland's Railway Stakeholder Panel helps scrutinise the performance of Scotland's Railway, as well as bring insight and challenges to its work. The support of this senior group representing a broad range of the economy and society in Scotland helps inform on future changes that should be considered by Scotland's Railway.

Research and development

The Company works collaboratively with its suppliers and stakeholders to trial innovation by providing controlled access to its staff, data, facilities, and funding as is appropriate. Recent examples include:

- A trial of standalone LED car park lighting, CCTV and data sensors powered by renewable energy.
- Development of digital twin assessments of key stations and depots to target energy reduction initiatives, opportunities to eliminate fossil fuels, and deploy renewable energy generation.

Community engagement

The Company works with and supports local communities to maximise the benefits of its services and stations. A key strand of this work is the vast network of volunteers through support for Community Rail Partnerships and ScotRail's 'Adopt-a-Station' programme. The latter sees more than 1,000 volunteers actively work to improve the environment at 211 Scottish stations. Furthermore, the Company promotes knowledge sharing within the rail industry and wider community stakeholders, including a comprehensive rail safety programme for children and young people across the country.

In the financial year, the Company established a three-year charity partnership with Age Scotland, Scotland's national charity for older people, after staff across ScotRail and Network Rail Scotland selected it to be their new nominated charity.

ScotRail has also developed partnerships, based upon shared-ambitions and joint-working, with a range of national, regional, and local community groups and organisations. These partnerships are in areas such as health and wellbeing, arts and culture, homelessness, community safety, and sustainability. Current strategic partners include: StreetSoccer Scotland, Royal Scottish National Orchestra, and The Wise Group.

Streamlined energy and carbon reporting (SECR)

ScotRail is a business which contributes to a greener Scotland by being environmentally sustainable and in so doing helps to deliver the Scottish Government's vision of net-zero greenhouse gas emissions by 2045, the UN's sustainable development goals, the aims of the second National Transport Strategy, and the delivery of the Rail Services Decarbonisation Action Plan.

The Company prepares an annual Sustainability Delivery Plan, which sets out the actions that the organisation will take to contribute to Scotland's sustainability goals. The delivery plan also sets out the KPIs used by the Company's executive management team to track the overall progress of the actions taken to mitigate environmental impacts while other policy areas set out actions to maximise ScotRail's social impact.

The commitments made in this plan are the actions that ScotRail works to achieve as an integral part for the delivery of the Scotland's Railway sustainability strategy and its associated climate action plan. The Company is a key stakeholder in the Scotland's Railway Sustainability Strategy, including the governance and delivery of planned outcomes.

Within the Scotland's Railway sustainability strategy, the physical risk posed by anthropic climate change is assessed and actions to respond to the risks documented within Scotland's Railway's Climate Ready Plan. ScotRail's day-to-day operational management approach is set out in its Resilience Plan governed by the operational improvement team, while the weather risk task force works to improve the plan and actions needing to be taken.

The Company's Carbon Reduction Strategy further supports the Scottish Government Net Zero targets. The transitional risks of eliminating fossil fuel use in operational activities and maximising energy efficiency are assessed against science-based target reduction trajectories with its annual Carbon Reduction Strategy. The Company's annual carbon reduction strategy and greenhouse gas emissions data is externally verified by Team Energy using UK Government carbon conversion factors and reported in line with international greenhouse gas reporting protocol standards.

The Company continues to maintain externally certified environmental (ISO 14001) and energy management (ISO 50001) systems, with these systems supporting the Company's overall sustainability strategy and contributing to nationwide rail industry initiatives.

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

- Introduced electric powered services on the Glasgow to Barrhead route.
- Continued collaboration with Transport Scotland and Network Rail on the well-advanced plans to decarbonise the Glasgow to East Kilbride route.
- Increased digitalisation of the customer experience: digital barcode tickets now account for 36 per cent of all journeys.
- Bathgate and Motherwell station LED trials achieved savings of approximately 20 per cent.
- Completed design activities to move Motherwell station heating system from a gas boiler to air source heat pump.
- Completed a trial of solar powered LED car park lighting at Robroyston station.
- Completed digital twin assessment of key stations and depots to target further energy reduction initiatives and opportunities to eliminate fossil fuels.

The Company continues to work in partnership with Transport Scotland and Network Rail to design and deliver the future phases of the rail decarbonisation programme. A strategy has been completed to replace the diesel train fleet and work is now underway to mobilise for the procurements of new intercity, rural, and suburban trains for introduction over the next ten years.

Streamlined energy and carbon reporting (SECR) (continued)

The following data sets out the Company's scope one and two greenhouse gas emissions from operational activities, and other key metrics:

	2024	2023
Emissions resulting from:		
Combustion of gas & consumption of fuel for the purpose of transport (T Co2e)	95,641	87,203
Purchase of electricity for its own use (T Co2e)	52,050	48,089
Business travel (T Co2e)	615	709
Total gross emissions (T Co2e)	**148,306**	**136,001**
Intensity ratio - grams of CO2e per passenger kilometre	**58.6**	**87.8**

Increase in emissions is driven by the increase in number of train services ran in the year.

	2024	2023
Energy consumption used to calculate emissions:		
Kilowatt hours	251,361,398	225,730,016
Litres of diesel consumed	38,008,376	31,708,042
Kilometres travelled	2,113,422	3,045,496
Litres of petrol consumed	17,018	17,018

The kilometres travelled metric in the above table comprises of buses and taxis operated or utilised in the course of business.

Litres of petrol consumed is estimated based on Kilometres travelled by ScotRail road fleet in the previous 12 months.

Intensity ratio is as per Annex f guidance of an example intensity ratio for passenger carrying services. HM Government – Environmental Reporting Guidelines, March 2019.

Task force on climate-related financial disclosures (TCFD)

The Company has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. The Company considers climate to be a principal risk, and has therefore complied with the TCFD recommendations and recommendations disclosures around:

- Governance - recommended disclosures (a) and (b)
  - a) Describe the Board's oversight of climate related risks and opportunities –
    - i. see SECR (pages 16-17) and the Audit and Risk Committee (page 25)
  - b) Describe management's role in assessing and managing climate related risks and opportunities –
    - i. see corporate governance report (page 22) and SECR (pages 16-17)
- Metrics and targets - recommended disclosures (b).
  - c) Disclose scope one, two, and, if appropriate, scope three greenhouse gas (GHG) emissions and the related risks –
    - i. see SECR (pages 16-17)

This is in line with the UK Government's TCFD-aligned disclosure implementation timetable for applicable arm's length bodies for phase one. The Company plans to provide recommended disclosures for strategy in future reporting periods in line with phases two and three of the TCFD UK Government implementation timetable.

....
Derek Marchant
Finance Director
12 December 2024

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2024.

Principal activities

The Company operates trains and manages stations, working with key partners, including Network Rail, which maintains and controls the railway infrastructure, and rolling stock companies which own the trains that are leased by the Company.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with UK adopted International Accounting Standards.

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

- Select suitable accounting policies and apply them consistently.
- State whether applicable UK adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Make judgements and accounting estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

The Company received an Accounts Direction from Transport Scotland to apply the reporting requirements set out in the Financial Reporting Manual (FReM) as issued by HM Treasury. The Directors have followed this Accounts Direction in addition to IFRS except where there are any conflicts with the Companies Act 2006 or Scottish Public Finance Manual (SPFM).

Results and dividend

The Company's reported financial performance for the year ended 31 March 2024 shows revenue for the year of £1,112m (2023: £972.9m), which includes £766.9m (2023: £691.7m) of grant income from the Scottish Government.

No dividend paid by ScotRail (2023: nil) due to the nature of the financial arrangement with the immediate parent, Scottish Rail Holdings Limited, and the ultimate parent, Scottish Ministers.

Future developments

Details of the Company's future developments can be found within the Strategic report.

Statement of Accountable Officer's responsibilities

Under section 19(4) of the Public Finance and Accountability (Scotland) Act, the Scottish Ministers have directed ScotRail Trains Limited to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of ScotRail Trains Limited and of its income and expenditure, Statement of financial position and cash flows for the financial year. In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts.
- Prepare the accounts on a going concern basis.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Scottish Government has appointed the Chair of the Company as Accountable Officer for ScotRail Trains Limited. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the ScotRail Trains Limited assets, are set out in the Scottish Public Finance Manual. As the Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors of ScotRail Trains Limited are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

....

Hannah Ross
Chair and Accountable Officer
12 December 2024

Directors

The Directors of the Company who were in office during the period and up to the date of signing the accounts are listed below:

Chair and Accountable Officers	David Lowrie	Resigned 28 June 2024
	Graeme Cook	Appointed 27 June 2024 Resigned 23 September 2024
	Hannah Ross	Appointed 23 September 2024
Managing Director	Joanne Maguire	
Executive Directors:	Julie Dale	Appointed 18 May 2023
	Alexander Hynes	Resigned 12 April 2024
	Lesley Kane	Resigned 13 June 2024
	David Lister	
	David Simpson	Resigned 18 January 2024
	Derek Marchant	
Non-Executive Directors:	Emma Dixon	Resigned 31 May 2024
	Brodies Secretarial Services Ltd	Appointed 31 May 2024
	Carolyn Griffiths	Appointed 18 May 2023
	Campbell Davidson	Appointed 27 June 2024
	Graeme Cook	Appointed 23 September 2024
	John MacQuarrie	Appointed 1 April 2023

Board

An efficient Board structure requires a balance of skills, backgrounds, experience, and knowledge. Each director is required to make a valuable individual contribution. The Company is fortunate to have an experienced, skilled, and committed Board of directors.

Company secretary

The Company Secretary in office during the year was Emma J. Dixon. Following Emma Dixon's resignation on 31 May 2024, the Company Secretary in office at the date of signing the accounts is Brodies Secretarial Services Ltd.

Employee engagement

Details of employee engagement is included within the Strategic report.

Disability and employment

Details of the Company policy for employment of disabled persons is included within the Strategic report.

Streamlined energy and carbon reporting (SECR)

Disclosures in respect of the Streamlined Energy and Carbon Reporting requirements are included in the Strategic report.

Branches outside the UK

During the financial year, the Company operated solely within the United Kingdom.

Supplier pay policy

The Company, like other public sector organisations, is bound by the Late Payments of Commercial Debts (Interest) Act 1998, which requires payment to be made within 30 days of receipt of a valid invoice, or any other period the contract terms may specify. It is ScotRail's policy to agree terms of payment when orders for goods and services are placed and adhere to those arrangements. In addition, it is the Company's policy, where possible, to comply with the Scottish Government's target of making payment of authorised invoices within 10 days of receipt.

Business relationships with suppliers, customers and stakeholders

Information on the above can be found within the Strategic report.

Political and charitable donations

The Company made charitable donations of £nil (2023: £600) in the year. There were no political donations made in the year £nil (2023: £nil).

Freedom of information

The Freedom of Information (Scotland) Act 2002 came into full force in January 2005. Members of the public can make a request to see information held by the Company. For the year ended 31 March 2024, ScotRail received and responded to 326 Freedom of Information requests, 333 of which were responded to and closed. This includes requests from the prior year which were still opened at the prior year end. There were 13 referral requests for a review of a response and two referrals to the Scottish Information Commissioner. There were eight requests under Environmental Information Regulations (EIR), all of which were closed.

Amounts payable to auditors for non-audit work

Fees payable for non-audit services provided by the appointed auditors for the year were £1,000 (2023: £1,000).

Personal data incidents

There were no (2024: nil) personal data related incidents and consequently none were required to be formally reported to the Information Commissioner's Office.

Other disclosures

There are no other disclosures publicised by HM Treasury Public Expenditure System (PES) papers.

Financial instruments

The Company's principal financial assets are bank balances and trade receivables. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the Statement of Financial Position are net of any identified impairment or expected credit loss. The expected credit loss method has been used, in line with IFRS 9, to consider the Company's exposure to credit risk (note 3). The Company has no significant credit risk, with exposure mainly on rail industry partners and fuel price during the financial statements year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company's principal financial liabilities are trade creditors. The Company's activities exposed it to a variety of financial risks. Price risk is managed by the Company having a good understanding of the markets that it operates within and setting appropriate fares for each of those markets in conjunction with the Scottish Government. A proportion of its fares are fixed prices which are set annually and are subject to regulatory approval. Liquidity risk is mitigated by managing cash generated by the Company's operations and the grant payments received in line with the Grant Agreement. Cash flow risk is managed through cash flow budgeting and forecasting.

Research and development

The Company has a small Innovation fund to support the testing of innovative solutions that could address issues faced by the organisation operating in the Rail industry towards becoming environmentally sustainable. It is a member of the Railway Safety and Standards Board and Rail Partners, who coordinate research and innovation on behalf of the industry. Further information is included within the Strategic report.

Corporate Governance

Scottish Rail Holdings Limited, as the Company's parent company has an internally generated Governance Code. While the Company has not formally adopted this or another corporate governance code, it has applied its own corporate governance arrangements commensurate with its size and complexity.

For disclosure purposes, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has adopted the Wates principles for large private companies as an appropriate framework for corporate governance. Each of the 6 Wates principles have been considered individually within the context of the Company's operations.

The principles of Purpose and Leadership and Directors' Responsibilities are set out within the section 172(1) statement. The Directors' Responsibilities statement has also been set out on page 18. The principle of stakeholder relationships has been set out per the stakeholder engagement section within the Strategic report.

Events after the reporting date

There were no significant events after the reporting date.

Indemnification of directors and officers

The Company's Parent Company maintains directors' and officers' Liability Insurance in respect of legal action that might be brought against the Directors of the Company. This was in force during the financial year and there was no utilisation of the insurance during the current financial year and up to the date of signing these financial statements.

Directors' statement as to disclosure of information to auditors

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

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

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

Section 172(1) statement

The Directors of the Company must act in accordance with a set of general duties. These duties are detailed in Section 172(1) (a - f) of the Companies Act 2006, which is summarised as follows:

A Director of a Company must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard to the following matters:

(a) the likely consequences of any decision in the long-term;

(b) the interest of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the Company.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

The Directors present their report and the audited financial statements for the year ended 31 March 2024. These financial statements have been prepared in accordance with a form directed by the Scottish Ministers.

The financial statements on pages 38 to 69 were approved by the Board on 11 December 2024 and signed on its behalf by:

....
Derek Marchant
Finance Director
12 December 2024

Accountability Report

Directors' attendance at Board meetings

Attendance at Board meetings from 1 April 2023 to 31 March 2024 is shown in the table below:

Name	Invited	Attended
Julie Dale	12	12
Emma Dixon	13	12
Carolyn Griffiths	12	12
Alexander Hynes	13	12
Lesley Kane	13	0
David Lister	13	13
David Lowrie	13	12
Joanne Maguire	13	12
Derek Marchant	13	13
John MacQuarrie	13	10
David Simpson	11	10

The Directors' report has been included as its own section within the financial statements. The Statement of Accountable Officers' responsibilities can be found within the Directors' report.

Conflicts of interest procedures

Procedures are in place to ensure directors comply with their duties in relation to conflicts of interest. Board directors are obliged to provide details at the start of each Board meeting of any direct or indirect interests that conflict with, or may conflict with, the Company's interests.

Governance statement

The Accountable Officer has responsibility for maintaining a governance framework which supports the achievements of ScotRail's strategic aims and objectives, and the Scottish Government's primary purpose of increasing sustainable economic growth by aligning its aims and objectives with the Programme for Government, Scotland's Economic Strategy and National Performance Framework. The Accountable Officer has specific responsibility in relation to:

- Best value for money, including the concepts of corporate governance and continuous improvement.
- Planning, performance management and monitoring.
- Advising the ScotRail Board.
- Managing risk and resources.
- Accounting for ScotRail's activities.

The Accountable Officer, alongside the other Company directors, are collectively responsible for the overall strategic direction of the Company and for monitoring its performance. The Company is governed by the Board, which currently meets periodically. The Board comprises four executive directors and five non-executive directors (NEDs).

The Directors' report and Strategic report contained within these accounts gives further detail on the below:

- Governance framework of the Company;
- Operation of the governing board during the period;
- An assessment of the Company's corporate governance framework; and
- An assessment of the Company's risk management arrangements, and a review of their effectiveness.

There was no record of any written authorities provided to the Accountable Officer during the year. A retrospective written assurance was provided to the Accountable Officer in relation to the period of these financial statements.

There were no significant lapses of data security during the year.

Subcommittees

Audit and risk committee

The Company has an established Audit and Risk Committee (ARC) to monitor issues of risk, control, and governance and associated assurance through a process of constructive challenge. The committee reviews and reports to the Board on the planned activity and results of both internal and external audit, including the adequacy of management response to issues identified by audit activity. The ARC also reviews the accounting policies, the financial statements and annual report of the organisation. The ARC was chaired by James L Shedden, Non-Executive Director of Scottish Rail Holdings Limited up until 31 July 2023, and from 1 August 2023 by Brian E. Baverstock, Non-Executive Director of Scottish Rail Holdings Limited.

Nominations and remuneration committee

The Company has an established Nominations and remuneration committee as a committee of the Board to support in their responsibilities regarding remuneration, performance, and appointments. The overall purpose of the committee, on behalf of the ScotRail Board and the Accountable Officer, is to ensure that remuneration and appointment arrangements support the strategic aims of the Company. The Committee ensures compliance with the relevant sections on pay and performance in the Framework Agreement and the Scottish Public Finance Manual including adherence to Scottish Government pay policies.

The Committee is chaired by an Independent non-executive director from Scottish Rail Holdings Limited. The Committee additionally comprises of ScotRail board chair and a ScotRail non-executive director. The Committee will normally meet quarterly but may agree to adjust the frequency of meetings as the business requires, timed to ensure adherence to the Scottish Government's pay policy timeline. The Chair of the Committee may convene additional meetings, as they deem necessary.

Safety, health & environmental committee

The Company has an established Safety, Health & Environmental Committee (SHEC). The purpose of the SHEC is to satisfy itself of the overall adequacy and effectiveness of the:

- Safety, health and environment strategies, systems, policies, practices to deliver the business objectives; and
- Compliance with safety, health, and environmental legal requirements.

The SHEC reviews and reports to the ScotRail Board on the above matters and such other matters relating to health and safety and environmental matters as may appear to it to be necessary or are referred to it by the ScotRail Board. This is chaired and attended by non-executives as well as ScotRail executives.

Staff and Remuneration Report

Remuneration policy

The Company has established a Nominations and remuneration committee as a committee of the Board to support in their responsibilities regarding remuneration, performance, and appointments. The pay and incentive structures for senior management across the group, including the directors of the Company, will be considered by this Committee as noted above.

The Committee aims to ensure compliance with the relevant sections on pay and performance as outlined in their Framework Agreement and the Scottish Public Finance Manual, ensuring adherence to Scottish Government pay policies in particular.

For all other employees, the Company submits a pay remit to the Scottish Government (normally annually, unless a multi-year deal has been agreed), which is within the terms and conditions set out in the Scottish Government's Public Sector Pay Guidance. Once approved, a pay settlement is negotiated with the relevant Trade Unions.

The below information disclosed is in relation to The Company's statutory executive and non-executive directors.

Executive Directors' remuneration

Year ended 31 March 2024		Salary & Allowances *(1)*	Performance Pay/Bonuses *(2)*	Non-Cash Benefits *(3)*	Accrued Pension Benefits *(4)*	Total
		£'000	£'000	£'000	£'000	£'000
David Lister	Safety & Sustainability Director	165-170	-	8.9	38	210-215
David Simpson	Service Delivery Director	200-205	-	11.0	32	240-245
Derek Marchant	Finance Director	140-145	-	1.6	38	180-185
Joanne Maguire	Managing Director	185-190	-	1.0	50	235-240
Julie Dale*	Human Resources Director	100-105	-	1.2	29	130-135
Lesley Kane	Commercial Director	210-215	-	11.1	38	260-265

Year ended 31 March 2023		Salary & Allowances *(1)*	Performance Pay/Bonuses *(2)*	Non-Cash Benefits *(3)*	Accrued Pension Benefits *(4)*	Total
		£'000	£'000	£'000	£'000	£'000
David Lister	Safety & Sustainability Director	145-150	-	8.6	63	220-225
David Simpson	Service Delivery Director	130-135	-	9.1	49	190-195
Derek Marchant*	Finance Director	50-55	-	0.6	16	65-70
Joanne Maguire	Managing Director	170-175	-	0.9	50	225-230
Lesley Kane	Commercial Director	130-135	-	8.8	47	185-190

* Where a Director has joined ScotRail Trains Limited during the year, their salary reflects only that which they received whilst a member of the senior management team.

Non-Executive Directors' remuneration

Year ended 31 March 2024		Salary & Allowances *(1)*	Performance Pay/Bonuses *(2)*	Non-Cash Benefits *(3)*	Accrued Pension Benefits *(4)*	Total
		£'000	£'000	£'000	£'000	£'000
Emma J. Dixon	General Counsel & Company Secretary	-	-	-	-	-
Carolyn J. Griffiths	Non-Executive Director	-	-	-	-	-
John MacQuarrie	Non-Executive Director	0-5	-	-	0.1	0-5

Year ended 31 March 2023		Salary & Allowances *(1)*	Performance Pay/Bonuses *(2)*	Non-Cash Benefits *(3)*	Accrued Pension Benefits *(4)*	Total
		£'000	£'000	£'000	£'000	£'000
Emma J. Dixon	General Counsel & Company Secretary	-	-	-	-	-
Carolyn J. Griffiths	Non-Executive Director	-	-	-	-	-
John MacQuarrie	Non-Executive Director	65-70	-	-	5.7	70-75

(1) Salary and allowances are disclosed in bands of £5,000. This remuneration is inclusive of any compensation for loss of office and payment in lieu of notice.
(2) Performance pay / bonuses payable are disclosed in bands of £5,000. No performance pay or bonuses were paid in the years presented.
(3) Non-cash benefits are disclosed to the nearest £100. Some directors of The Company received a car allowance and/or medical insurance.
(4) The value of pension benefits accrued is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to the transfer of pension rights.

Executive Directors' pension

As at 31 March 2024		Total accrued pension at pension age as at 31/03/2024 & related lump sum *(1)*	Real increase in pension and related lump sum at pension age *(2)*	Opening CETV 31/03/2023 *(3)*	Closing CETV (3) 31/03/2024	CETV: Increase net of members' contributions (4)
		£'000	£'000	£'000	£'000	£'000
David Lister	Safety & Sustainability Director	15-20 plus lump sum 20-25	0-2.5 plus lump sum 2.5-5.0	204	227	11
David Simpson	Service Delivery Director	15-20 plus lump sum 10-15	0-2.5 plus lump sum 2.5-5	127	147	13
Derek Marchant	Finance Director	0-5 plus lump sum 0-5	0-2.5 plus lump sum 2.5-5	11	23	3
Joanne Maguire	Managing Director	5-10 plus lump sum 5-10	2.5-5 plus lump sum 2.5-5	20	36	4
Julie Dale	Human Resources Director	0-5 plus lump sum 0-5	0-2.5 plus lump sum 0-2.5	0	11	5
Lesley Kane	Commercial Director	10-15 plus lump sum 10-15	0-2.5 plus lump sum 0-2.5	153	187	27

As at 31 March 2023		Total accrued pension at pension age as at 31/03/2023 & related lump sum *(1)*	Real increase in pension and related lump sum at pension age *(2)*	Opening CETV 31/03/2022 *(3)*	Closing CETV (3) 31/03/2023	CETV: Increase net of members' contributions (4)
		£'000	£'000	£'000	£'000	£'000
David Lister	Safety & Sustainability Director	15-20 plus lump sum 15-20	2.5-5 plus lump sum 2.5-5	207	204	(11)
David Simpson	Service Delivery Director	10-15 plus lump sum 10-15	2.5-5 plus lump sum 0-2.5	114	127	5
Derek Marchant	Finance Director	0-5 plus lump sum 0-5	0-2.5 plus lump sum 0-2.5	0	11	9
Joanne Maguire	Managing Director	0-5 plus lump sum 0-5	2.5-5 plus lump sum 0-2.5	3	20	6
Lesley Kane	Commercial Director	10-15 plus lump sum 10-15	2.5-5 plus lump sum 0-2.5	139	152	5

(1) The accrued pension and (where applicable) related lump sum at pension age (ministers, age 65) is shown in bands of £5,000.

(2) The real increase in annual pension and (where applicable) related lump sum at pension age (ministers, age 65) is shown in bands of £2,500.

(3) Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by the member. It is the amount which would be offered by the scheme to transfer the members benefits into another scheme as at 31/03/2024 (31/03/2023).

(4) CETV: Increase net of members contributions reflects the increase in CETV funded by the employer. It does not include increases due to inflation, employee contributions, benefits transferred from another scheme and uses market factors for the start and end of the period.

Compensation for loss of office

The Company is required to disclose any amounts remunerated to Directors on early retirement or for loss of office. In the year ended 31 March 2024, £165k (2023: nil) was remunerated to Executive Directors. This is included within wages & salaries in the table below.

Staff costs

Total staff costs for the year ended 31 March 2024 and 31 March 2023 are set out below:

	23/24	22/23
	£'000	£'000
Wages and salaries	263,778	237,708
Social security costs	27,632	25,710
Other pension costs	14,720	13,848
Ill health payments	1,796	1,337
Other staff costs	1,247	1,139
Other employee expenses	8,896	6,866
Total	**318,069**	**286,608**

Included within the above, are agency staff costs totalling £1,323k (2023: £687k).

Fair pay disclosures

Pay ratio information for the year ended 31 March 2024 and 31 March 2023 are set out below:

	23/24	22/23
Highest paid directors' salary	210-215	170-175
% change from previous financial year	21%	N/A
% change employees of company as a whole (excluding highest paid director)		
Salaries and allowances	7%	N/A
Performance pay and bonuses payable	30%	N/A
Highest paid directors' remuneration banding (Midpoint)	£212,500	£172,500
Ratio median (£44,169, 2023: £41,600) *(1)*	4.8	4.2
Ratio 25th percentile (£33,689, 2023: £32,830) *(1)*	6.3	5.3
Ratio 75th percentile (£60,926, 2023: £58,300) *(1)*	3.5	3.0

(1) The Company is required to disclose separately the total pay and benefits and, the salary component of total pay and benefits, comprising the Median, 25th percentile & 75th percentile remuneration. Note, the total pay and benefits median, 25th percentile & 75th percentile stated above does not materially change when compared to the salaries and allowances ratios.

The increase in the current year's financial pay ratios compared to the prior year is attributable to a change in the remuneration of the highest paid director rather than a change in the benefits of the entity's employees taken as a whole. The most significant reason for the increase in the highest paid directors' remuneration was their receipt of contractual entitlements on vacating office. The current year's change is not attributable to the Company's employment model.

Increase in salaries and allowances as a whole was driven mainly by the general grades pay award and increased headcount as noted in Staff costs, note seven. Performance pay and bonuses payable primarily represents commission paid to staff.

The Company believes the median pay ratio for both financial years presented is consistent with the pay, reward, and progression policies for the entity's employees taken as a whole.

Off-payroll appointments

During the year ScotRail were engaged in eight off-payroll appointments (2023: two). As at 31 March 2024, there were four temporary off-payroll workers engaged earning £245 per day or greater.

Diversity and inclusion

The Company is an inclusive and diverse employer, committed to our public sector legal duties. The Company is committed to ensuring that all individuals are treated fairly, with respect, and are valued irrespective of sex, disability, race, gender reassignment, health, social class, sexual orientation, marital status, civil partnership, nationality, religion, employment status, age, or membership or non-membership of a trade union.

The Company has established a policy of equality of opportunity, diversity and inclusion encapsulating the following key principles:

- All people have the right to be treated with dignity and respect.
- We overcome prejudice and change any entrenched negative attitudes about equality, diversity and inclusion.
- We adopt fair and inclusive policies, practices and behaviours throughout our operations and will focus to eliminate all prejudice, discrimination, bullying and harassment.
- All colleagues have a personal responsibility for the practical application of this policy in their day-to-day activities and must always support the policy.
- Non-compliance with this policy will be treated seriously and will not be tolerated.

The Company regularly analyses equality and diversity data in line with best practice and public sector equality duty. Any patterns of under representation in the workforce where there may be inequality in opportunities in recruitment, promotion or training are fully investigated and positive steps taken to remove any barriers or discrimination and promote diversity and inclusion.

The Company undertakes a formal review of this policy every three years or sooner If dictated by operational needs or legislative change.

Staff composition

	23/24			22/23		
Category	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Statutory Directors	3	3	6	2	3	5
Senior Management	19	19	38	21	17	38
All other employees	1,161	4,088	5,249	1,110	3,965	5,075
Total 23/24	**1,183**	**4,110**	**5,293**	**1,133**	**3,985**	**5,118**

Sickness absence data and employment statistics

	23/24	22/23
Staff turnover	4.5%	5.0%
Long-term sick	4.2%	4.3%
Short-term sick	2.0%	2.3%
Total Staff absence	**6.2%**	**6.6%**

The above statistics are averages for the year.

Trade union facility time disclosures

The Company works in partnership with various Trade Unions. The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the company to make the following disclosures.

Trade union facility time	
No. of employees who were relevant union officials during 2023/24	212
% of employees time spent on facility time	
0%	-
1%-50%	211
51%-99%	-
100%	1
Percentage of total pay bill spent on facility time	1.47%
Time spent on paid trade union activities as a percentage of total paid facility time hours	50.24%

Parliamentary accountability report

Regularity of expenditure

Expenditure relates to the funding of net operational costs for the Company. These are evenly spread across the period, with staff costs, rolling stock leases, and network and station access costs from Network Rail all arising on a broadly consistent profile throughout the year.

Contingent liabilities disclosure

There were no material contingent liabilities (2023: £nil). There are no remote contingent liabilities as defined by FReM.

Statement of losses and special payments

Category	Number of cases	£'000
Cash losses	4	36
Special payments including ex-gratia and special severance payments etc	3	54
Total	**7**	**90**

Special payments and losses reported above includes bad debt write-offs, and ex-gratia and special severance payments. The Company continues to pursue all outstanding debts.

Gifts

The Scottish Public Finance Manual requires gifts to be reported and individual gifts greater than £250k to be disclosed separately. The Company has nothing to report (2023: £nil).

The Accountability report is signed by:

Hannah Ross

....

Hannah Ross
Chair and Accountable Officer
12 December 2024

Independent auditors’ report to the members of ScotRail Trains Limited

Report on the audit of the financial statements

Opinion

In our opinion, ScotRail Trains Limited’s financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 March 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework”, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the “Annual Report”), which comprise: the Statement of financial position and the Statement of changes in equity as at 31 March 2024; the Income statement for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided.

Other than those disclosed in Note 9. Auditors' remuneration, we have provided no non-audit services to the company in the period under audit.

Conclusions relating to going concern

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

- Obtaining and reviewing the budgets for the periods ending 31 March 2025 and 2026;
- Confirming our understanding of the Railways Act 1993 and the Scottish Ministers obligations to operate the passenger rail service in Scotland; and
- Reviewing the terms of the Grant Agreement in place between ScotRail Trains Limited, Scottish Rail Holdings Limited and the Scottish Ministers to confirm that adequate funding is in place for a period of at least 12 months from the date of approval of the 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.

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment, health and safety legislation and the Railways Act 1993, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve the financial results and management bias in significant judgements and accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, including accounting for defined benefit pension schemes and the service agreement term assumption.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Kenneth Wilson

Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
12 December 2024

Income statement

For the year ended 31 March 2024

	Note	31 March 2024 £'000	31 March 2023 £'000
Revenue			
Passenger revenue		327,489	265,492
Other revenue		17,608	15,679
Government grant income		766,914	691,736
Total Revenue	5	**1,112,011**	**972,907**
Operating costs		(1,107,297)	(967,631)
Operating profit		**4,714**	**5,276**
Finance income		14	-
Interest payable and similar expense	6	(4,848)	(5,394)
Loss before taxation		**(120)**	**(118)**
Tax on loss	10	-	-
Loss for the financial year	11	**(120)**	**(118)**

The above results were derived from continuing operations.

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of comprehensive income has been prepared.

The notes on pages 42 to 69 form an integral part of these financial statements.

Statement of financial position

	Note	31 March 2024 £'000	31 March 2023 £'000
Non-current assets			
Intangible assets	12	745	60
Tangible assets	13	22,719	21,010
Right-of-use assets	14	415,034	502,832
		438,498	**523,902**
Current assets			
Inventories	15	13,412	12,892
Trade and other receivables	16	114,307	78,673
Cash and cash equivalents		58,224	67,721
		185,943	**159,286**
Total assets		**624,441**	**683,188**
Current liabilities			
Trade and other payables	17	(208,694)	(182,406)
Lease liabilities	19	(100,272)	(89,360)
		(308,966)	**(271,766)**
Net current liabilities		**(123,023)**	**(112,480)**
Total assets less current liabilities		**315,475**	**411,422**
Non-current liabilities			
Loans and borrowings	18	(6,451)	(6,330)
Lease liabilities	19	(301,189)	(398,278)
		(307,640)	**(404,608)**
Provisions for liabilities	20	(6,786)	(5,645)
Total liabilities		**(623,392)**	**(682,019)**
Net assets		**1,049**	**1,169**
Equity			
Called-up share capital*	21	-	-
Capital contribution reserve	21	1,287	1,287
Retained earnings	21	(238)	(118)
Total equity		**1,049**	**1,169**

*The Company held 1 ordinary share of £1 during the current and prior year.

The notes on pages 42 to 69 form an integral part of these financial statements.

The financial statements of ScotRail Trains Limited (registration number: SC328826 (Scotland)) on pages 38 to 69 were approved by the Board of directors and authorised for issue on 11 December 2024.

They were signed on its behalf by:

....

Derek Marchant
Finance Director
12 December 2024

Statement of changes in equity

	Called-up share capital* £'000	Capital contribution reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2022	-	-	-	-
Loss for the year	-	-	(118)	(118)
Total comprehensive loss	**-**	**-**	**(118)**	**(118)**
Capital contribution reserve	-	1,287	-	1,287
At 31 March 2023	**-**	**1,287**	**(118)**	**1,169**

	Called-up share capital* £'000	Capital contribution reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2023	-	1,287	(118)	1,169
Loss for the year	-	-	(120)	(120)
Total comprehensive income	**-**	**1,287**	**(238)**	**1,049**
Capital contribution reserve	-	-	-	-
At 31 March 2024	**-**	**1,287**	**(238)**	**1,049**

*The Company held 1 ordinary share of £1 during the current and prior year.

The notes on pages 42 to 69 form an integral part of these financial statements.

Notes to the financial statements

1. General information

ScotRail Trains Limited is a private Company limited by share capital incorporated and domiciled in the United Kingdom.

The address of its registered office is:

Atrium Court
50 Waterloo Street
Glasgow
Scotland
G2 6HQ

The nature of the Company's operations and principal activities are set out in the Directors' report on page 18.

2. Adoption of new and revised International Financial Reporting Standards

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

In the current year, the Company has applied a number of amendments to International Accounting Standards (IAS), IFRS Standards and International Financial Reporting Interpretations Committee (IFRIC) and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRS 17 Insurance Contracts was issued in May 2017 as replacement for IFRS 4 Insurance Contracts.
- Amendments to IAS 1 and IFRS Practice Statement 2. The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.
- Amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The adoption of the above accounting standards has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback. The IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of transaction.

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

3. Material accounting policies

Summary of material accounting policies

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

Basis of preparation

From 1 April 2023, ScotRail Trains Limited accounts are prepared in accordance with an Account Direction issued by the Scottish Ministers under Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000. Under the Accounts Direction, per appendix one, the Company has complied with the Financial Reporting Manual 2023-24 (FReM) issued by HM Treasury, and the Companies Act 2006. As noted in Section 4.4.13 of the FReM, Scotrail Trains Limited is an incorporated arm's length body and as such is required to fully comply with the requirements of the Companies Act 2006 in full with any conflicts between the requirements of the Companies Act and the FReM, the Companies Act taking precedence. In order to fully comply with the Companies Act 2006, the accounts have been prepared in accordance with the Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101).

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment, and in accordance with the Companies Act 2006.

Summary of disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- the requirements of paragraphs 110(b), 113(b), 114-115, 118, 119(b), 121-122, 123(b), 126 and 129 of IFRS 15 Revenue from Contracts with Customers.

Where relevant, equivalent disclosures have been given in the Company accounts of Scottish Rail Holdings Limited. The Company accounts of Scottish Rail Holdings Limited are available to the public and may be obtained by writing to Scottish Rail Holdings Limited, 3rd Floor St Vincent Plaza, 319 St Vincent Street, Glasgow, Scotland, G2 5LD.

The principal accounting policies adopted are set out below.

3. Material accounting policies (continued)

Going concern

The Company is wholly owned and overseen by Scottish Rail Holdings Limited, which is an arm's length Company owned and controlled by the Scottish Government. The Company operates under a Grant Agreement with Scottish Rail Holdings Limited under an initial five-year term, first expiry date of 31 March 2027, and includes an automatic extension of five years to a final expiry date of 31 March 2032. The Grant Agreement includes a grant payment mechanism which reflects the cash requirements for the grant term.

The directors have considered the Company's ability to continue to trade for a period of at least 12 months from date of signing, with reference to a detailed cash flow forecast, budget, and relevant financial information. The Company holds a detailed budget and confirmed funding for the year ending 31 March 2025 and an outer years budget to 31 March 2030.

Given that the Grant Agreement first expiry date does not fall within at least 12 months from the date of approval of the financial statements and no significant events have been noted that would cast doubt over the Company's ability to continue operations, the directors are satisfied that the Company has sufficient resources available to meet its financial obligations as they fall due for a period of at least 12 months from the date of signing.

Accordingly, the financial statements have been prepared on a going concern basis.

Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in 'Pounds Sterling' and rounded to the nearest thousand pounds (£'000) unless otherwise indicated.

Revenue and other operating income

Passenger revenue

The Company generates revenue from tickets for rail travel sold under the National Rail Conditions of Travel. The ticket sold forms a binding contract between the passenger and any train operating company (TOC). The transaction price for each ticket is set by the lead TOC, and revenue from ticket sales is allocated across the relevant train operators based on expected usage. This is derived using an industry model (Operational Research Computerised Allocation of Tickets to Services, or ORCATS) which determines the proportion of revenue due to each passenger-carrying operator based on the timetable they run and its attractiveness to different passenger markets. Revenue is settled via the Rail Settlement Plan (RSP). The sale of tickets which are valid on ScotRail services are not limited to ScotRail retail channels. All tickets sold via other retail channels are settled via RSP.

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

Delay Repay customer compensation which is compensation paid to customers who have experienced a delay of more than 30 minutes, and refunds due to disruption or service cancellation are treated as a reduction in passenger revenue rather than operating costs, in line with 'IFRS15 Revenue from Contracts with Customers'.

The Company offers four key product types: daily tickets; season tickets; railcards; and combined tickets and travel passes. The sections below set out the revenue recognition for each product type.

Daily tickets

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

3. Material accounting policies (continued)
Revenue and other operating income (continued)

Season and Flexipass tickets

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

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

Rail cards

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

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

Combined tickets and travel passes

The Company has assessed that there is one performance obligation for the provision of transport across the specified period and routes on ScotRail services. Although the customer may be able to use the service multiple times (over the course of the validity of the pass), this does not constitute multiple performance obligations as this is a series of distinct services that are substantially the same and have the same benefit to the customer. As such this is one performance obligation.

The transaction price of each ticket or pass is the Company's share from the RSP and the Company transfers control of the ticket or pass over time and therefore satisfies the performance obligation over time. For tickets offering unlimited travel within a specified time period, revenue is recognised over the validity period of the ticket or pass on a straight-line basis.

Other revenue

Other revenue is generated in the course of the Company's ordinary activities and is derived from railway station access revenue, train maintenance revenue, commission receivable, car park revenue, commercial property revenue, advertising revenue, onboard catering revenue and fuel sales.

Revenue is recognised when a customer obtains control of goods or services and has the ability to direct the use and obtain the benefits from the goods or services.

3. Material accounting policies (continued)
Revenue and other operating income (continued)

Revenue from service contracts

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

Revenue from commission receivable

For commission receivable, the Company has assessed that there is one performance obligation and that the Company fulfils the obligation for the services provided to the customer at the point of time set out on the ticket. The commission income is recognised at the point the sale of the ticket occurs on an accruals basis.

Government grant income

Under the Grant Agreement, Scottish Government grant income is received by way of cash grant payments from Scottish Rail Holdings Limited, each rail period in advance, to cover the anticipated net expenditures for the upcoming rail period. Any prior period adjustment to reflect the actual cash requirement is offset against the next grant payment. Thirteen payments are made across any given financial year, one for each rail period.

Although the Scottish Government grant income is received via cash payment, it is intended to compensate for the fact that the revenue generated from passenger revenue and other revenue does not cover the operating costs of the Company. It is therefore determined that the Scottish Government grant income should offset the net operating expenditures incurred during the year. Scottish Government grant income is included within the revenue section of the income statement to most closely show the substance of the arrangement, however it is not IFRS 15 revenue from a contract with a customer.

Scottish Government grant income is accrued as at the reporting date to reflect cash payments due from Scottish Rail Holdings Limited to settle the remaining in-year net expenditures (note 16). Deferred Scottish Government grant income received in advance on 31 March 2024 for rail period one of the next financial year is deferred as required (note 17). Amounts due to be repaid to Scottish Rail Holdings Limited as a result of any prior period adjustment to reflect the differential between the anticipated net cash expenditures and actual cash expenditures for rail period 13 of the financial year are recorded in trade payables (note 17).

Tax

Current tax

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

Deferred tax

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

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

3. Material accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Tangible assets

Tangible assets are stated at historic cost less accumulated depreciation.

Depreciation is provided on a straight-line basis to write off the cost less estimated residual value of fixed assets over the shorter of the asset's expected useful economic life, as outlined below, or the Grant Agreement expiry date.

Asset class	Expected useful economic life
Leasehold improvements	Shorter of the lease term or expected life of the underlying assets
Plant and equipment	5 - 10 years
Fixtures and fittings	3 - 10 years
Computer equipment	3 - 10 years

Work-in-progress assets are not depreciated until they are available for use. When the asset is complete and available for use, the cost is transferred to the appropriate asset class and depreciated based on the depreciation policy noted above.

Capital grants

The Company receives funding for all of its activities, which includes capital projects. Capital projects are funded primarily by government bodies, principally Transport Scotland, Network Rail, and local authorities, and are accounted for under IAS 20.

Capital grants are presented in the balance sheet as deferred government grant income and released to operating costs within the income statement over the estimated useful economic life of the related asset.

Leases

The Company as a lessee

The Company assesses whether an identified asset and the related contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with terms of less than 12 months) and low value leases (such as personal computer hardware, office furniture, photocopiers, mobile phones, and coffee machines). For these leases, the Company has elected to apply the exemption included within IFRS 16 and recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

3. Material accounting policies (continued)
Leases (continued)

Right-of-use assets

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

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

- the initial measurement of the lease liability, discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Company will use the incremental borrowing rate.
- any lease payments made at or before the commencement date, less any lease incentives received.
- an estimate of the costs incurred upon dismantling or removing the asset or returning the underlying asset to the condition required by the lease arrangement.
- other initial direct costs resulting from the introduction of the lease arrangement.

After the commencement date the right-of-use assets are measured using a cost model. The lease agreements are such that a termination option is available to the Company at the point at which the grant term expires. Right-of-use assets are therefore depreciated over the shorter of the lease term and the assessed Grant Agreement term and would be impacted by any extension to the Grant Agreement term - see the critical judgement within note four for further details.

The right-of-use assets are presented as a separate line in the statement of financial position.

Where an option to extend the lease is available this will be included within the lease term where there is reasonable certainty that this option will be exercised.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur and are included in the Income Statement as operating costs.

The leases are assessed for lease and non-lease elements (service and maintenance arrangements) which, except for identifiable heavy maintenance, as outlined below, do not meet the scope for IFRS 16 as there is no identifiable asset and are recognised in the Income Statement as operating costs.

Station and depot access arrangements with Network Rail are not capitalised under right-of-use assets given the restrictions placed on those contracts do not meet the criteria for recognition under IFRS 16. The costs are therefore recognised in the Income Statement as operating costs when incurred.

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

Heavy maintenance

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

Heavy maintenance assets are held in the statement of financial position as part of the IFRS 16 right-of-use assets and are accounted for under IAS 16 property, plant, and equipment. Rolling stock costs recorded as heavy maintenance assets have the same accounting policies applied as directly owned assets.

Heavy maintenance assets relating to leased rolling stock, including replacement spares and parts, labour costs, and/or third-party maintenance service costs, are capitalised as part of the right-of-use asset and depreciated over the shorter of the lease term and the expected time until the next similar heavy maintenance event. All other maintenance costs, including non-capital maintenance agreements, are recognised in the income statement as operating costs when incurred.

3. Material accounting policies (continued)

Leases (continued)

Lease liability

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

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

Lease liabilities will be recognised as current and non-current liabilities within the statement of financial position. The carrying value is increased to reflect the interest on the lease liability and reduced to reflect lease payments made over the term of the lease.

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 carrying value is also adjusted to reflect any changes to the lease utilising the discount rate at the point of remeasurement.
- 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 payments using an unchanged discount rate (unless the lease payments change is due to a change in floating rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company made one adjustment in the year. This was due to a modification to a lease and as such has been treated as a remeasurement as this is not accounted for as a separate lease.

3. Material accounting policies (continued)

Intangible assets

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

Asset class	Expected useful economic life
Brands	7 years
Software Costs	7 years

Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement.

Cash and cash equivalents

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

Inventories

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

3. Material accounting policies (continued)

Defined benefit pension obligation

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

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

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The accounting liabilities are updated at each balance sheet date and, typically, every three years are rebalanced to allow for the triennial statutory funding valuation. Currently this is the 31 December 2022 valuation that was signed off on 21 March 2024, the next triennial valuation is due as at 31 December 2025. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other assets on the face of the balance sheet.

Financial instruments

Financial assets

Financial assets are recognised in the statement of financial position when the Company becomes party to the contractual provisions of the instrument.

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

Trade receivables

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

Trade receivables are recognised at fair value upon initial recognition. Subsequent to initial recognition, they are recognised at amortised cost using the effective interest method.

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

Financial liabilities

Trade payables

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

3. Material accounting policies (continued)
Financial liabilities (continued)

Other financial liabilities

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

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

ScotRail Trains Limited Grant Agreement term

The Company operates as a publicly owned train operating company through a Grant Agreement awarded on 1 April 2022 by Scottish Rail Holdings Limited, a Non-Departmental Public Body of the Scottish Government. The Grant Agreement has a first expiry date of 31 March 2027 and includes an automatic extension of five years to a final expiry date of 31 March 2032.

The Directors determined, for the purposes of these financial statements, that the Grant Agreement will remain in effect until the Final Expiry Date. Although the Company had not received official confirmation of this from Scottish Rail Holdings Limited at the time of preparing these financial statements, there has been no correspondence received which would lead the Directors to reasonably believe that Scottish Rail Holdings Limited had any plan to end the Grant Agreement before the Final Expiry Date.

The judgement affects these financial statements in respect of reporting for leases under IFRS 16 and going concern as follows:

IFRS 16

At the inception of a lease management assess the lease term. In this assessment management considers the embedded termination options contained within the lease. Termination options are disregarded from the initial measurement if the lessee is reasonably certain not to exercise the option. This judgement over whether termination options will be exercised impacts the lease liabilities and right-of-use assets recognised on the statement of financial position at inception of the lease.

The judgement applied to assume the automatic extension of the Grant Agreement term to 31 March 2032 leads to an additional amount of £116,000k for both the right-of-use asset additions (note 14) and lease liability (note 19) when compared to a term to the first expiry date of 31 March 2027.

Leases with a lease term ending after 31 March 2032 have been initially measured with the assumption that a termination option will be exercised at the final expiry date.

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

Station leases

As per the Company's Leases accounting policy and page 61, station and depot access arrangements with Network Rail are not capitalised under right-of-use assets. This is due to the restrictions placed by the regulator regarding access to these stations limiting the TOC's control over the properties. The directors have determined this is a reasonable judgement and therefore the costs for these leases are recognised in the Income statement as operating costs when incurred.

Pension and other post-employment benefits

The cost of defined benefit pensions plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates, and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. The discount rate is based on the market yields at the reporting date on high quality corporate bonds. The currency and term of the corporate bonds should be consistent with the currency and estimated term of the post-employment benefit obligations. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 23.

5. Revenue

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

	2024 £'000	2023 £'000
Passenger revenue	327,489	265,492
Other revenue	17,608	15,679
Government grant income	766,914	691,736
	1,112,011	**972,907**

All revenue is principally comprised of operations within the United Kingdom. As discussed in the Grant Agreement income accounting policy detailed within note 3, this is not IFRS 15 revenue.

Other revenue comprises of station access, train maintenance, commission, and car park income.

6. Interest payable and similar expense

	2024 £'000	2023 £'000
Interest paid to external parties	-	138
Interest paid to parent	120	118
Interest charge on leases	4,728	5,138
	4,848	**5,394**

The interest paid to parent as noted above arose solely as a result of an accounting adjustment when applying the effective interest rate method to group borrowings. Further details are outlined within note 18.

7. Staff costs

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

	2024 No.	2023 No.
Drivers	1,331	1,321
On-train staff	1,072	1,021
Station staff	1,010	962
Fleet maintenance staff	957	938
Management and administrative staff	691	656
Apprentices	28	27
	5,089	**4,925**

The average headcount at 31 March 2023 and 31 March 2024 has been provided below:

	31 March 2024 No.	31 March 2023 No.
Drivers	1,388	1,368
On-train staff	1,134	1,080
Station staff	1,088	1,040
Fleet maintenance staff	960	942
Management and administrative staff	695	661
Apprentices	28	27
	5,293	**5,118**

Their aggregate remuneration comprised:

	2024 £'000	2023 £'000
Wages and salaries	263,778	237,708
Social security costs	27,632	25,710
Other pension costs	14,720	13,848
Ill health payments	1,796	1,337
Other staff costs	1,247	1,139
	309,173	**279,742**

8. Directors' remuneration

The directors' remuneration for the year was as follows:

	2024 £'000	2023 £'000
Remuneration	1,049	828
Company pension contributions to defined benefit schemes	73	71
	1,122	**899**

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

	2024 £'000	2023 £'000
Remuneration	214	178
Company pension contributions to defined benefit schemes	10	16
	224	**194**

Retirement benefits accrued to the directors at 31 March 2024 under a defined benefit scheme of £nil (2023: £nil). The pension lump sum accruing to the highest paid director at the 31 March 2024 was £nil (2023: £nil). The remaining directors of the Company were remunerated through Scottish Rail Holdings Limited or Network Rail but not through the Company.

Compensation of £165k for loss of office was remunerated to the directors (2023: £nil).

9. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2024 £'000	2023 £'000
Fees payable for the audit of the Company's annual financial statements	330	330
Other assurance services	1	1
	331	**331**

10. Taxation

(a) Tax (credited)/charged for the year/period in the Income Statement:

	2024 £'000	2023 £'000
Current taxation		
UK corporation tax	-	316
Other adjustment	-	(316)
	-	-
Deferred taxation		
Origination and reversal of timing differences	-	-
Effect of change in tax rates	-	-
Total deferred taxation	-	-
Tax (credit)/charge in the Income Statement	-	-

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

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

	2024 £'000	2023 £'000
Current tax	-	-
Total income tax recognised in other comprehensive income	-	-

The tax on loss before tax for the year/period is the same as the standard rate of corporation tax in the UK of 25% (2023: 19%).

10. Taxation (continued)

The (credit)/charge for the year can be reconciled to the loss in the Income Statement as follows:

	2024 £'000	2023 £'000
Loss before taxation	**(120)**	**(118)**
Corporation tax at standard UK rate of 25% (2022: 19%)	(30)	(22)
Fixed asset differences	1,353	-
Expenses not deductible	1,226	813
Income not taxable	(2,541)	(475)
Losses carried back	432	-
Adjustments to tax charge in respect of previous periods	14	-
Temporary differences not recognised in the computation	(911)	-
Movement in deferred tax not recognised	471	-
Other	(14)	(316)
Tax (credit)/charge for the year	-	-

Factors that may affect future tax charges

The Finance Act 2022 introduced provisions to increase the tax rate from 19% to 25% from 1 April 2023. The impact of this change is expected to be £nil.

Deferred tax assets have not been recognised in respect of the below timing difference because it is not probable that future taxable profits will be available against which the Company can utilise the benefits.

Reconciliation of Unrecognized Deferred Tax Assets

The table below summarises the unrecognised deferred tax assets at 31 March 2024:

Tax Attributes	Gross Amount £'000	Tax Effect £'000
Deductible temporary differences	1,885	471
Unused tax losses	-	-
Unused tax credits	-	-

Total unrecognised gross amount in relation to deductible temporary differences: £1,885k.
Total unrecognised deferred tax assets: £471k.

The recognition of deferred tax assets is reassessed annually. Should the Company generate sufficient taxable profits in the future or new developments arise, such as changes in tax legislation, deferred tax assets could be recognised at that time.

11. Loss for the financial year

Loss for the year has been arrived at after charging:

	2024	**2023**
	£'000	**£'000**
Raw materials and consumables	9,628	13,527
Depreciation – owned assets	1,474	1,240
Amortisation expense	18	496
Depreciation on right-of-use assets - Rolling stock	104,646	99,965
Depreciation on right-of-use assets - Buildings	746	745
Depreciation on right-of-use assets - Plant and equipment	486	100
Impairment loss of other intangibles	-	2,613
Write-downs of inventories recognised as an expense	-	146
Network Rail access charges - fixed	358,639	313,401
Network Rail access charges - variable	17,418	13,511
Other fixed station access charges	47,945	45,270
Train maintenance	47,361	39,645
Traction electricity charge	40,094	24,052
Lease items excluded from IFRS 16	15,176	13,374
Rolling stock non-capital leasing costs	33,023	31,673
Diesel fuel costs	29,229	33,477
Auditors' remuneration (see note 9)	331	331
Other employee expenses	8,896	6,866

12. Intangible assets

	Brand Costs £'000	Software £'000	Work in progress £'000	Total £'000
Cost				
At 1 April 2023	3,109	-	60	3,169
Additions	-	-	703	703
Transfers	-	433	(433)	-
Disposals	-	-	-	-
At 31 March 2024	**3,109**	**433**	**330**	**3,872**
Amortisation				
At 1 April 2023	(3,109)	-	-	(3,109)
Charge during the year	-	(18)	-	(18)
Disposals	-	-	-	-
At 31 March 2024	**(3,109)**	**(18)**	**-**	**(3,127)**
Carrying value at:				
31 March 2023	**-**	**-**	**60**	**60**
31 March 2024	**-**	**415**	**330**	**745**

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

13. Tangible assets

	Leasehold improvement £'000	Plant and equipment £'000	Fixtures and fittings £'000	Computer equipment £'000	Work in progress £'000	Total £'000
Cost						
At 1 April 2023	-	5,763	2,192	354	13,941	22,250
Additions	-	-	-	-	8,407	8,407
Transfers	14,282	22	-	-	(14,304)	-
Disposals	-	(2,733)	(754)	-	(1,737)	(5,224)
At 31 March 2024	**14,282**	**3,052**	**1,438**	**354**	**6,307**	**25,433**
Depreciation						
At 1 April 2023	-	(983)	(223)	(34)	-	(1,240)
Charge during the year	(1,044)	(576)	(209)	(118)	-	(1,947)
Disposals	-	444	29	-	-	473
At 31 March 2024	**(1,044)**	**(1,115)**	**(403)**	**(152)**	**-**	**(2,714)**
Carrying value at:						
31 March 2023	**-**	**4,780**	**1,969**	**320**	**13,941**	**21,010**
31 March 2024	**13,238**	**1,937**	**1,035**	**202**	**6,307**	**22,719**

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

Leasehold improvement additions during the year materially consists of assets relating to Motherwell, Stirling, and Aberdeen Station redevelopments.

14. Right-of-use assets

	Rolling stock £'000	Buildings £'000	Plant and equipment £'000	Total £'000
Right-of-use assets				
Cost				
At 1 April 2023	**598,882**	**3,726**	**1,034**	**603,642**
Additions	17,567	-	513	18,080
At 31 March 2024	**616,449**	**3,726**	**1,547**	**621,722**
Accumulated depreciation				
At 1 April 2023	**(99,965)**	**(745)**	**(100)**	**(100,810)**
Charged in the year	(104,646)	(746)	(486)	(105,878)
At 31 March 2024	**(204,611)**	**(1,491)**	**(586)**	**(206,688)**
Carrying value at 31 March 2023	**498,917**	**2,981**	**934**	**502,832**
Carrying value at 31 March 2024	**411,838**	**2,235**	**961**	**415,034**

The Company leases several assets including rolling stock, property and vehicles. £13.2m of the above additions within rolling stock is in relation to heavy maintenance.

	2024 £'000	2023 £'000
Amounts recognised in profit and loss account		
Depreciation expense on right-of-use assets	105,878	100,810
Interest charge on lease liabilities	4,728	5,138
Expenses relating to variable lease payments not included in the measurement of the lease liability	621	292
Expense relating to leases of low value assets	3	3
	111,230	106,243

At 31 March 2024, the Company is committed to £nil for short-term leases.

15. Inventories

	2024 £'000	2023 £'000
Fuel stocks	626	761
Engineering spares	12,786	12,131
	13,412	**12,892**

Inventories are stated after provisions for impairment of £nil (2023: £nil). The cost of inventory charged to the income statement (note 11) in the year was £9.6m (2023: £13.5m).

16. Trade and other receivables

	2024 £'000	2023 £'000
Trade debtors	15,369	11,600
Other debtors	472	4,315
VAT	24,967	21,366
Accrued income	10,293	26,376
Prepayments	2,210	4,354
Accrued income for government grants	60,996	10,662
	114,307	**78,673**

The Company had £40k provisions for impairment of trade debtors during the year (2023: £46k).

For Accrued income for government grants above please see the accounting policy for government grants on page 46 of these financial statements.

17. Trade and other payables

	2024 £'000	2023 £'000
Trade creditors	46,429	30,831
Social security and other taxes	6,817	6,063
Accrued expenses	60,486	48,424
Other payables	241	14,910
Deferred season ticket income	848	1,093
Deferred government grant income	66,476	56,324
Deferred capital grant income	27,397	24,761
	208,694	**182,406**

For deferred capital grant income above please see the accounting policy for capital grants on page 47 of these financial statements.

18. Loans and borrowings

	2024 £'000	2023 £'000
Loan due to Scottish Rail Holdings Limited	6,451	6,330
	6,451	**6,330**

Per the Grant Agreement, effective from 1 April 2022, the Company is entitled to a working capital loan of £7.5m from Scottish Rail Holdings Limited. This working capital loan is unsecured, does not accrue interest, and is repayable to Scottish Rail Holdings Limited after the final expiry date, or upon termination, of the Grant Agreement. This loan has been discounted using the effective interest rate method, using the nominal rate of 1.9% as advised in the HM Treasury PES paper 2022.

	2024 £'000	2023 £'000
Amounts falling due within one year	-	-
Amounts falling due after one year	6,451	6,330
	6,451	**6,330**

19. Lease Liabilities

	2024 £'000	2023 £'000
Analysed as:		
Current	100,272	89,360
Non-current	301,189	398,278
	401,461	**487,638**

	2024 £'000	2023 £'000
Maturity analysis		
Due up to one year	100,272	89,360
Due between one and five years	224,371	281,953
Due after five years	76,818	116,325
	401,461	**487,638**

The Company does not face a significant liquidity risk with regard to its lease liabilities. The total cash outflow for leases amounts to £94,771k (2023: £112,258k).

20. Provisions for liabilities

	Dilapidations £'000
Balance at 1 April 2023	**5,645**
Provided in the year	1,141
Provisions utilised in the year	-
Balance at 31 March 2024	**6,786**

Analysis of expected timing of discounted flows	**£'000**
Not later than one year	125
Later than one year and not later than five years	5,262
Later than five years	1,399
Balance at 31 March 2024	**6,786**

The dilapidation provision includes the estimated cost of the obligation to return certain rolling stock back to their original state at the cessation of the lease.

21. Equity

Allotted, called up, and fully paid shares

	2024 No.	2024 £	2023 No.	2023 £
Ordinary shares of £1 each	1	1	1	1

The Company has one ordinary class of share which carry no right to fixed income. The shareholders of the Company during the financial year is Scottish Rail Holdings Limited (SC548826).

The Company's other reserves are as follows:

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

Capital contribution reserve
Capital contributions of £1,287k (2023: £1,287k) are as a result of the application of the effective interest rate method applied to the Working Capital Loan (note 18) received from Scottish Rail Holdings Limited.

22. Related party undertakings

The Company has taken advantage of the exemption not to disclose any transactions between wholly owned Group undertakings conferred by IAS 24 on the grounds that the Company's results are included in full in the consolidated financial statements of the parent undertaking, which are publicly available.

23. Retirement benefits

Pension obligations – Railway Pension Scheme

The Company is a member of a defined benefit pension scheme, which is funded. All eligible employees are offered membership of the Railway Pension Scheme (RPS). The defined benefit scheme is administered by a separate fund that is legally separated from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders of the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund. The last full actuarial valuation of the scheme was carried out by independent actuaries as at 31 December 2022.

Contributions are paid to the scheme at rates recommended by the Scheme Actuary to the RPS and the assets of the scheme are held in a separately administered trust. The scheme's assets are held and managed independently of the Company's finances by independent investment managers appointed by the trustees of the scheme. Contributions are paid in line with the latest agreed schedule of contributions in 2022. For the majority of active members, the current contribution rate is 6.52% for employees and 9.78% for the employer.

The actuarial assumptions used in determining the 2022 full actuarial valuation were that the rate of earnings increase would be 3.4% per annum and the rate of inflation would be 3.4%/2.4% (RPI/CPI) per annum. The valuation was made using the projected unit method.

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

Any deficit reflected in the Statement of Financial Position reflects only that portion of the deficit that is expected to be funded over the Grant Agreement term, net of deferred tax. An 'operator adjustment' is made to the deficit on this basis. The operator adjustment is the projected deficit at the end of the Grant Agreement term which the Company will not be required to fund, discounted back to present value.

The valuations used have been based on the results of the 31 December 2022 statutory funding valuation and have been updated by the Company's Actuary in order to assess the liabilities of the scheme as at the subsequent statement of financial position dates. Scheme assets are stated at their market values at the respective balance sheet dates. The present value of the defined benefit obligation (DBO), the related current service cost, and past service cost were measured using the projected unit method.

The weighted average duration of the section's DBO is approximately 19 years at the end of the reporting year.

Money purchase assets held by the section are not recognised in the financial statements since the value of these assets is exactly matched by the value of the liabilities.

The Company is exposed to a number of risks relating to the section, including assumptions not being borne out in practice. It should be noted that due to the nature of the operator adjustment, the Company is effectively shielded from these risks relating to the section in the short-term. Some of the most significant risks are as follows, although the list is not exhaustive:

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

23. Retirement benefits (continued)

Net defined benefit position:

	2024 £'000	2023 £'000
Cash and cash equivalent	16,040	1,137
Equity instruments	798,361	774,146
Debt instruments	70,530	61,819
Real estate	89,014	87,151
Other	108,060	80,350
Total fair value of scheme assets	**1,082,005**	**1,004,603**
Present value of scheme liabilities	(1,008,221)	(934,233)
Operator adjustment	(44,270)	(42,222)
Defined benefit obligation	29,514	28,148
Members' share of deficit	**(29,514)**	**(28,148)**
Deficit in the scheme	-	-
Related deferred tax asset	-	-
Net pension liability	-	-

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

Analysis of the amount charged to operating profit:

	2024 £'000	2023 £'000
Current service cost	24,205	39,390
Administrative expenses	2,326	1,546
Interest expense on defined benefit obligation	26,497	23,798
Interest income on pension scheme assets	(28,895)	(17,370)
Interest on operator adjustment	2,027	(6,598)
Operator adjustment	(11,426)	(26,918)
Total amount change to P&L	**14,734**	**13,848**

23. Retirement benefits (continued)

Re-measurements recognised in the Income Statement for the year is analysed as follows:

	2024 £'000	2023 £'000
Return on plan assets	40,996	(54,245)
Loss from change in members' share	(7,631)	(207,598)
Change in assumptions	34,696	625,747
Loss on operator adjustment	(21)	(284,479)
Effect of experience adjustment	(83,244)	(52,507)
Effect of changes in demographic assumptions	26,630	-
Total re-measurement recognised in the Income Statement	11,426	26,918
Operator adjustments	(11,426)	(26,918)
Net total re-measurements	-	-

Changes in the fair value of scheme assets are analysed as follows:

	2024 £'000	2023 £'000
Fair value of scheme assets at 1 April 2023	**1,004,603**	**1,037,680**
Return on plan assets	40,996	(54,245)
Cash contributions - employer	14,734	13,848
Cash contributions - employee	9,669	9,051
Interest income - employer	28,895	17,370
Interest income - employee	19,263	11,580
Benefits paid	(32,279)	(28,104)
Administration expenses	(3,876)	(2,577)
Fair value of scheme assets	**1,082,005**	**1,004,603**

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

23. Retirement benefits (continued)

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

	2024 £'000	2023 £'000
Defined benefit obligation at 1 April 2023	**934,233**	**1,430,445**
Current service cost - employer	24,205	39,390
Current service cost - employee	6,314	17,028
Cash contributions - employee	9,669	9,051
Benefits paid	(32,279)	(28,104)
Interest expense - employer	26,497	23,798
Interest expense - employee	17,664	15,865
Effect of changes in financial assumptions	(34,696)	(625,747)
Effect of changes in demographic assumptions	(26,630)	-
Effect of experience adjustments	83,244	52,507
Defined benefit obligation	**1,008,221**	**934,233**

The following assumptions have been used:

	2024	2023
Rate of increase in salaries	3.2%	3.2%
Rate of increase in pensions	2.7%	2.7%
Discount rate	4.9%	4.8%
Inflation assumption	3.0%	3.1%
Post-retirement mortality:		
Retiring at Statement of Financial Position date:		
Male	19.3	20.0
Female	22.0	22.7
Retiring in 25 years:		
Male	21.0	21.9
Female	24.0	24.7

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

Assumption	Change in Assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 50 bps	Increase/decrease by 9.8%/8.6%
Inflation assumption	Increase/decrease by 25 bps	Increase/decrease by 4.1%/3.9%
Rate of salary increases	Increase/decrease by 25 bps	Increase/decrease by 1.1%/1.1%
Post-retirement mortality	Plus one year rating	Increase/decrease by 2.6%

To estimate the defined benefit obligation, assumptions are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities, and the results based on that single scenario are included in the valuation of the defined benefit obligation. The future is uncertain, and the Scheme's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

23. Retirement benefits (continued)

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely 'correct' and many alternative projections of the future could also be regarded as reasonable. A 'sensitivity analysis' shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilised. An indication of the sensitivity of the results to changes in the most material assumptions (i.e. discount rate, salary increases, price inflation, and post-retirement mortality) is shown above, albeit these are not intended to represent the upper or lower bounds.

The defined benefit obligation is estimated using the Projected Unit Credit method.

The expected future contributions are £18,930k for the year to 31 March 2025.

In June 2023, the High Court judged that amendments made to the Virgin Media scheme were invalid because the scheme's actuary did not provide the associated Section 37 certificate. The High Court's decision has wide-ranging implications, affecting other schemes that were contracted out on a salary-related basis and made amendments between April 1997 and April 2016. As such, the ruling could have implications for the Company, including the schemes' defined benefit obligation and subsequent operator adjustment. Following the Court of Appeal upholding the 2023 High Court ruling on 25 July 2024, a process of investigating any potential impact for the pension scheme is required. As a detailed investigation has not yet been fully performed, the Company considers that the amount of any potential impact on the defined benefit obligation cannot be confirmed and/or measured with sufficient reliability at 31 March 2024 year end. The Company will review again in 2025 based on the findings of the detailed investigation.

24. Capital commitments

	2024 £'000	2023 £'000
Capital commitments	6,883	7,967

Amounts contracted for but not provided for in these accounts for the purchase of property, plant and equipment amounted to £6,883k (2023: £7,967k).

25. Ultimate parent and controlling undertaking

The Company's immediate controlling party is Scottish Rail Holdings Limited which is registered in Scotland no. SC548826. Copies of its financial statements are available from Scottish Rail Holdings Limited, 3rd Floor St Vincent Plaza, 319 St Vincent Street, Glasgow, Scotland, G2 5LD. The shareholder of Scottish Rail Holdings Limited, and ultimate parent of the Company, is The Scottish Ministers, the address of whom is The Scottish Government, St. Andrew's House, Regent Road, Edinburgh, EH1 3DG.

The largest and smallest company in which the results of the Company are consolidated is that headed by Scottish Rail Holdings Limited. The consolidated financial statements of this Company are available to the public and may be obtained by writing to Scottish Rail Holdings Limited, 3rd Floor St Vincent Plaza, 319 St Vincent Street, Glasgow, Scotland, G2 5LD.

26. Events after the reporting date

There were no significant events after the reporting date.

Appendix to the Financial Statements

Appendix One - Accounts Direction by the Scottish Ministers

Scottish Government
Riaghaltas na h-Alba

ScotRail Trains Limited

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.

2. The statement of accounts for the financial year to 31 March 2024, and for subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared, and with the Companies Act 2006.

3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial period, and of the state of affairs as at the end of the financial period.

4. This direction shall be reproduced as an appendix to the statement of accounts.

Bill Reeve

Director of Rail Transport Scotland

On behalf of the Scottish Ministers 29 August 2023